

1976

# Scanning The Canadian Business Environment: The Government Sector

Robert William Archibald

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SCANNING THE CANADIAN  
BUSINESS ENVIRONMENT:  
THE GOVERNMENT SECTOR

by

Robert William Archibald

School of Business Administration

Submitted in partial fulfillment  
of the requirements for the degree of  
Doctor of Philosophy

Faculty of Graduate Studies  
The University of Western Ontario  
London, Ontario  
September, 1976

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## ABSTRACT

The large growth in the role of all levels of government in the Canadian economy has increased the significance of this factor in the environment of the business firm. In the development of a company strategy, awareness of government actions and possible actions has become of major importance. This thesis investigates the current external scanning (information-gathering) activities of large Canadian business firms and the effects of government on them.

The major purposes of this study were to explore and describe what Canadian business firms do in gathering information about government actions, to identify and explain differences in behaviour among firms, and to identify possible deficiencies in scanning behaviour. In addition, some general hypotheses relating to scanning behaviour were examined. The main points of these hypotheses were: Canadian business firms did not have well-developed formal scanning systems, they devoted little time to scanning the important government sector of their environment, they became aware of government actions affecting them late in their development, and firms in industries highly controlled by government would devote more effort to government-scanning than others less affected.

An initial sample of four firms was selected from a range of industries. Analysis of their scanning activities and relations with governments provided guidance for a more extensive survey of a larger sample of the largest business firms in Canada.



Among the findings and conclusions were the following. While most large firms do not have an extensive formal system for gathering information and the resources devoted to such systems are small, individual executives spend a good deal of time in this activity--more so in firms which do have a formal system. The absolute amount of time devoted to government-scanning is small, but compared to scanning of other areas is not out of proportion. Firms which were seen as greatly affected by government actions devoted greater efforts to government-scanning than did others. While most executives were more or less satisfied with their information-gathering performance, there were a considerable number of surprises noted. The sources of information used, the types of government effects on firms, and problems encountered in scanning were also discussed. Implications for management and some directions for further research were presented.

## ACKNOWLEDGEMENTS

A great many people have contributed, directly and indirectly, to the preparation of this thesis. I acknowledge the contributions which they have made and express my appreciation for their assistance. While it is impossible to recognize all of them individually, I must mention a few without whose participation this document would never have been written.

First, is Professor D. H. Thain, my thesis advisor. His influence was felt in many ways--some direct, some more subtle--and he opened my eyes to many aspects of the government-business relationship and its impact on corporate strategy. His contribution to my personal development will be of value for years to come.

The advice and encouragement of Professor S. C. Gilmour were also of great importance. Mr. G. K. Oman of Casson-Oman, Management Consultants, contributed helpful comments and encouragement. Acknowledgement is also made of the assistance and constructive comments of other members of the faculty of the School of Business Administration and of my fellow students.

Much appreciation is due to the many anonymous members of the Canadian business community who gave generously of their time to provide the raw material for this study.

The financial support provided by Shell Canada Limited, the Canada Council, and the School of Business Administration made possible the completion of this research.

Thanks are also due to my daughters, Laurie and Shelley Archibald, who assisted in the data sorting and preliminary typing, and to Mrs. Wendy DeMois who did a yeoman job of typing the final draft.

Finally, and most important, to my wife Sondra. The contribution she made in many roles: as breadwinner, as both mother and father to our children during my prolonged absences, and as a tower of strength in providing encouragement and moral support on the many occasions when it was badly needed, went far above and beyond any reasonable call of duty. To her this work is affectionately dedicated.

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## INTRODUCTION

### The Problem

There is little doubt that the role of all levels of government in the Canadian economy is both large and growing and that this growth has been going on for a considerable length of time. The phenomenon is not confined to Canada--similar trends have occurred and are occurring in other advanced nations--and it seems unlikely that the trend will be reversed or even stopped in the near future. A development of this nature and magnitude has far-reaching implications for today's business managers: it affects the activities which they can carry on by imposing constraints or limitations of many different kinds. By thus limiting the choice of strategic options open to firms, this expanded government presence can have major effects on the firms' opportunities for growth and profits and even, in some cases, threaten their very existence.

As well as directly affecting specific actions by firms, government can have indirect effects on business through its power to influence the overall environment within which the firms carry on their operations. The state is increasingly taking

responsibility for defining community needs and setting goals; it can also cause changes in the underlying framework within which business and the rest of society operate.<sup>1</sup> These indirect effects are perhaps immediately less obvious and more subtle but, in the long run, by altering the very nature of the game being played, they may be even more important in shaping the range of a firm's permissible activities than a specific order or prohibition.

The growth of the government sector means that privately-owned business firms will account for a relatively smaller share of the country's economic activity. It does not mean that they will vanish from the scene in the near or even distant future; moreover, in terms of absolute size, they will probably continue to grow with the economy. However, the way in which they are allowed to operate may change to a considerable extent.

The problem confronting the business manager as a result of these developments is twofold: (1) to anticipate, predict, or recognize what government actions are likely to affect his firm and how they will affect

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<sup>1</sup> See George Cabot Lodge, "Business and the Changing Society," Harvard Business Review 52 (March-April 1974): 66; and J. W. Younger, reported by James Purdie in, "Law Changes under Fire," Toronto Globe and Mail, 7 June 1974, p. B2.

it, and (2) to develop strategies or plans of action which will maximize the benefits (or minimize the penalties) to his firm as a result of the government actions.

It should be pointed out here that a problem or threat may, from another viewpoint, be seen as an opportunity. In fact, the increased role of governments does present greater opportunities for many firms. Suppliers of goods and services to government are obvious beneficiaries. In this light, issue or situation may be better words than problem for describing the increase in government's influence over business firms. However, the concern in this study is with the manager's problem in developing a strategy, given this circumstance; hence, for present purposes, it will be referred to as a problem.

#### Purpose of the Study

An overall objective, arising out of the problem stated above, is to answer the question, How does business best head off threats and exploit opportunities created by government actions in a way which will optimize its own position? This question is rather broad and general. As a first step towards attempting to answer it the present study will address only the first half of the problem stated above. More specifically, it will focus on the activities of the firm and its managers

in gathering information about government actions affecting or likely to affect them which will enable them to "anticipate, predict, or recognize." The study will attempt to answer the question, How do firms scan the government sector of their environment?

The purpose of this study, then, can be summarized as follows:

1. To explore and describe what Canadian business firms do in gathering information about government actions affecting them
2. From these descriptive data, to note differences among firms' scanning activities and to attempt to identify major variables creating any such differences
3. To test some general hypotheses relating to scanning activities arising out of the conceptual material of business policy
4. To identify possible deficiencies in scanning behaviour and to draw implications for managerial behaviour arising from these.

The literature on the environmental scanning process by firms in general is not extensive. Furthermore, most of what is available is not focussed particularly on the government sector and/or looks at areas outside of the Canadian scene. As a result, the study is largely exploratory and descriptive in nature. However, to the extent possible, conclusions will be drawn and recommendations made which may assist Canadian managers to improve their scanning of government

actions and which, by implication, may then improve their responses to such actions.

### Outline of the Thesis

The first two chapters review the underlying conceptual material relating to environmental scanning as an integral part of the strategy formulation process, and the role of government, especially as it relates to business. They also include a discussion of the expected scanning behaviour of Canadian business firms. Chapter III outlines the research methods used in the study. Chapter IV describes the first phase of the field research and presents some tentative conclusions and revised hypotheses concerning expected behaviour. Chapter V describes the second phase of the data collection, the field research, and discusses the findings of this phase. Chapter VI discusses scanning effectiveness and problems and presents some conclusions; chapter VII outlines some implications for managers.

## CHAPTER I

### CORPORATE STRATEGY, ENVIRONMENTAL SCANNING AND THE ROLE OF GOVERNMENT

... what enables the wise sovereign and the good general to strike and conquer, and achieve things beyond the reach of ordinary men is foreknowledge.

Now this foreknowledge ... can only be obtained from other men.

Sun Tzu  
5th century B.C.

The essence of policy is its contingency; its success depends on the correctness of an estimate which is in part conjectural.

Henry Kissinger  
20th century A.D.

#### Corporate Strategy and Environmental Scanning

During the past two decades, much attention has been given to the problems of guiding, controlling, and giving a sense of direction to the vast corporate enterprises which account for a large proportion of our economic activity. This period has seen the emergence of the concept of corporate strategy as a problem-solving theory to assist the business manager, especially the top manager, in these tasks. This concept is intended to aid him: (1) in recognizing the problems and opportunities which face his firm and, (2) in developing the response(s) which will enable him, within the



constraints imposed on him and his firm, to best exploit the opportunities and guard against the problems in accordance with the desired objectives of the firm. These constraints arise from both internal and external sources: internally, from the limitations imposed by the available resources of the firm; externally, from forces and pressures exerted by other players in the political, social, and economic environment of the firm, including government.

While many people in various places have contributed to the evolution of the concept of corporate strategy, much of the development took place and was expounded at the Harvard Business School. The description of the general model of strategy formulation below is derived to a large extent from this school.<sup>1</sup>

The concept of corporate strategy can be divided into two major phases: formulation and implementation. While recognizing the importance of both phases, it is the formulation of strategy, i.e., the devising of the strategic plan rather than its effecting, which is the concern of this study. A convenient way to look at the

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<sup>1</sup>See, for example, J. L. Bower, "Strategy as a Problem Solving Theory of Business Planning," BP 894, Harvard Business School, 1967; Edmund P. Learned et al., Business Policy: Text and Cases, rev. ed. (Homewood, Ill.: Richard D. Irwin, 1969); Hugo E. R. Uytterhoeven, Robert W. Ackerman, and John W. Rosenblum, Strategy and Organization: Text and Cases in General Management (Homewood, Ill.: Richard D. Irwin, 1973).

strategy formulation process is the schematic representation, based largely on the sources previously cited, illustrated in Exhibit 1. The effective application of the concept requires a recognition of the factors in the environment of the firm which are relevant to its objectives and activities, and an analysis and prediction of the opportunities and dangers arising out of the environmental situation. The possible courses of action which will cope with these opportunities and threats must then be matched with the resources and capabilities of the firm; i.e., of the possible alternatives seen, which can we (our firm) effectively carry out? Finally, these "economic strategies" must be weighed against the desires of the participants and their perception of their responsibilities to the society of which they are part--they are passed through a filter of "management values."

This diagrammatic representation of the strategy formulation process is obviously an oversimplification. In actual fact, strategy formulation is likely to be an extremely complex procedure and much more dynamic in nature. It should be regarded as a continuous, or at least recurring, process as changes in the parameters over time necessitate adjustments to the strategy. The intention in this study is not to present an exhaustive exposition of the concept

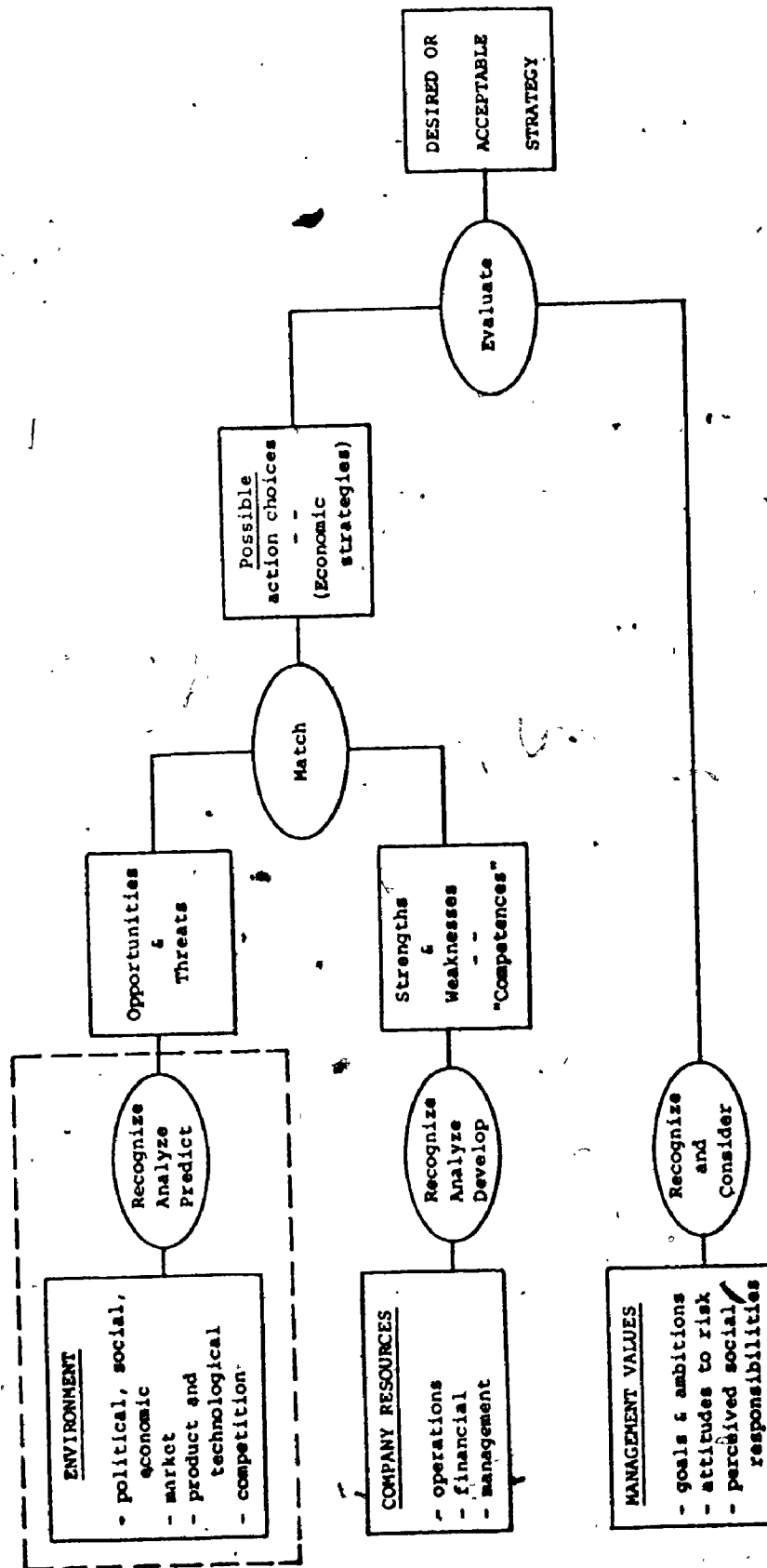


Exhibit 1

SCHEMATIC REPRESENTATION OF STRATEGY FORMULATION PROCESS

of corporate strategy, which is available from other sources, but to concentrate on one aspect of it--the information-gathering or scanning activity. The research is confined to the area of the diagram enclosed within the broken line.

Despite these obvious limitations, the diagram does illustrate the importance of the scanning activity as an integral and essential part of the strategy formulation process; without it there is no link of company resources and management values to the external environment. The development of a realistic strategy without this link seems very unlikely. There is little that is surprising in this approach; it can be regarded as an application of a more general concept--that of information as an essential ingredient in holding any organism (or organization) together<sup>1</sup>--to planning for a business firm.

As has been already noted, the process of strategy formulation as depicted here is deceptively simple; in addition to the dangers inherent in any such oversimplification it may suggest a more over-reaching or exhaustive process than actually occurs in many instances. In most real-life situations, managers are not likely to have either the resources, the time, or the

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<sup>1</sup>Norbert Wiener, Cybernetics, 2d. ed. (Cambridge, Mass.: M.I.T. Press, 1961, p. 161.

inclination to gather all available information and evaluate all possible alternative courses of action. Even if they did, they would not be able to assimilate such vast quantities of data. Faced with this dilemma, they have available a number of possible solutions: they can avoid the need to anticipate future events by focussing their attention on short-run problems;<sup>1</sup> they can alter their strategy "incrementally" rather than reviewing it on a grand, overall scale which considers all recognized possibilities;<sup>2</sup> or they can accept the first reasonable strategy hit upon rather than search for the best possible one.<sup>3</sup> These other approaches to the formulation of strategy are, however, different more in scope and method than in concept; at least some information is still needed to make a decision. In his analysis of the decision-making process, Lasswell included "Intelligence: information, prediction, planning," as the first of seven categories

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<sup>1</sup>Richard M. Cyert and James G. March, A Behavioral Theory of the Firm (Englewood Cliffs, N.J.: Prentice-Hall, 1963), p. 119.

<sup>2</sup>C. E. Lindblom, "The Science of Muddling Through," in Business Strategy, ed. H. Igor Ansoff (Harmondsworth, Middlesex, England: Penguin Books, 1969), pp. 41-60; H. Edward Wrapp, "Good Managers Don't Make Policy Decisions," Harvard Business Review 45 (September-October 1967): 91-99.

<sup>3</sup>James G. March and Herbert A. Simon, Organizations (New York: John Wiley & Sons, 1958), pp. 140-41.

of functional analysis.<sup>1</sup>

At a less conceptual level, prominent managers such as Harold Geneen, of ITT have expressed the need for an ". . . aggressive anticipation of goals and problems and of effective counteractions to insure our attainment of final objectives. . . I want no surprises." (Italics mine.)<sup>2</sup> Nor is this desire for knowledge confined to business managers; political leaders must also have a grasp of the situation: "His first essential need is information;"<sup>3</sup> and "The first task of an executive . . . was to guarantee himself an effective flow of information and ideas."<sup>4</sup>

Awareness of the need for information, however, is only the first step. The recognition that knowledge about the firm's environment is necessary for the formulation of strategy does not solve the manager's problem--it merely creates some new ones and raises

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<sup>1</sup>Harold D. Lasswell, The Decision Process: Seven Categories of Functional Analysis (College Park, Md.: Bureau of Governmental Research, College of Business and Public Administration, University of Maryland, 1956), p. 2.

<sup>2</sup>Anthony Sampson, The Sovereign State of ITT (Greenwich, Conn.: Fawcett Publications, Fawcett Crest Books, 1974), p. 70.

<sup>3</sup>Richard E. Neustadt, Presidential Power: The Politics of Leadership (New York: New American Library, Mentor Books, 1964), p. 147.

<sup>4</sup>Arthur M. Schlesinger, Jr., The Age of Roosevelt, vol. 2: The Coming of the New Deal (Boston: Houghton Mifflin Co., 1958), pp. 522-23.

additional questions: How much information does he need and of what type? How and where does he get it? and How much time, effort, and other resources should he expend in getting it? are among the obvious questions confronting him. Unfortunately, the answers are not quite so obvious.

There are a number of other, perhaps more general, aspects of the problem which make the issue even less straightforward. The less exhaustive approaches to strategy formulation noted above will obviously reduce the amount of information sought but may make the type of information even more critical. The limited ability of the individual to absorb and assimilate information<sup>1</sup> will reduce the amount needed and used, highlighting the fact that merely making vast quantities of information available may not improve the quality of decisions. Another factor limiting the quantity of information used is the perceptual bias of the receiver, or the tendency to screen out information not consistent and compatible with his current knowledge and values; that is, the observer tends to see what he expects and wants

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<sup>1</sup>Edmund P. Learned and Audrey T. Sproat, Organization Theory and Policy: Notes for Analysis (Homewood, Ill.: Richard D. Irwin, 1966), p. 93.

to see.<sup>1</sup>

In addition to these general factors, the manager will undoubtedly be faced with circumstances peculiar to his own firm and industry and their environment and which further complicate his information search. He must also be careful in defining what is his relevant environment, the characteristics of which shift with each position which he holds.<sup>2</sup> Further, rather than defining the environment and then seeking the needed information concerning it, he may find that the information he can get is itself what defines the environment: "The environment of an individual manager coincides with the range of accessible information available to him."<sup>3</sup>

The diversity of the problems faced in attacking the information-gathering task seems to be reflected

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<sup>1</sup>Edmund P. Learned, David N. Ulrich, and Donald R. Booz, Executive Action (Boston: Division of Research, Graduate School of Business Administration, Harvard University, 1951), p. 38; John R. Kirk and George D. Talbot, "The Distortion of Information," in Communication and Culture, ed. Alfred G. Smith (New York: Holt, Rinehart and Winston, 1966), p. 319.

<sup>2</sup>Robert L. Katz, Cases and Concepts in Corporate Strategy (Englewood Cliffs, N.J.: Prentice-Hall, 1970), p. 99

<sup>3</sup>Ibid.



in the lack of consensus among many managers on how to mount this attack. <sup>1</sup>

### The Role of Government in the Business Environment

It can readily be shown that governments are playing an increasing role in the Canadian economy. In the ten years up to and including 1972, the percentage of the Gross National Product accounted for by government expenditures (at all three levels) rose from 30.3 to 38.5. In only one of those years (1964) did government's share decline from the previous year and the trend is unmistakable. Expressed in another way, in those 10 years total government expenditures increased by 186 per cent while the GNP increased by only 125 per cent. Similar trends have occurred in the United States, although they are somewhat less pronounced (the comparable U.S. figures for government's share of GNP over the same ten-year period show an increase from 28.3 to 32.3 per cent).<sup>2</sup> Not only has this trend been consistently upward during this period, but it is accelerating. In the 16 years from the start of the 1950s to 1966, the government share

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<sup>1</sup>Judson Gooding, "It's No Easy Trick to Be the Well-informed Executive," Fortune, January 1973, pp. 85-89.

<sup>2</sup>Canadian Imperial Bank of Commerce, Commercial Letter (Toronto: September-October 1973); Lodge, p. 66.

increased (somewhat more irregularly) from 22 to about 31 per cent; in the next six years, from 1966 to 1972, it went from 31 to 38.5.<sup>1</sup> Agencies of the government itself have expressed concern that "such a rapid enlargement of the role of governments in economic activity deserves careful examination."<sup>2</sup>

It is true that a large part of this increased government expenditure is accounted for by transfer payments, rather than by direct spending on goods and services for government,<sup>3</sup> and that some of the biggest-ticket programs (e.g., education, health care, and other welfare areas) are to some extent difficult for governments to control once they are established. But this does little to diminish possible concern about government's growing role, since the ability to redistribute income, via transfer payments, among the various segments of the population gives the government great influence in the economy.

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<sup>1</sup> Economic Council of Canada, Tenth Annual Review: Shaping the Expansion (Ottawa: Information Canada, 1973), p. 101.

<sup>2</sup> Ibid., p. 102.

<sup>3</sup> "Direct Spending by Ottawa Claimed Less than 6% of GNP," Toronto Globe and Mail, 11 September 1974, p. B4.

These developments have not gone unnoticed; observers of the business scene have commented on the striking increase in government intervention in business activities and the need to consider its impact.<sup>1</sup>

There is, as might be expected, considerable difference of opinion as to the desirability of the trend. Both ideological and economic arguments are advanced to support or oppose the new patterns. Some leaders and organizations in the business community depict government's increasing role as a threat to our freedom and economic well-being;<sup>2</sup> on the other hand, businessmen sometimes seem to be encouraging the trend by requesting increased action by the government in particular areas; they may go so far as to say that such action is "essential to survival."<sup>3</sup> In any event, the trend continues and does not seem likely to stop or reverse in the near future.

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<sup>1</sup>D. H. Thain, "The Coming Crunch in Federal Government-Business Relations," Business Quarterly 35 (Autumn 1970): 25; Kenneth R. Andrews, The Concept of Corporate Strategy (Homewood, Ill.: Dow Jones-Irwin, 1971), p. 67.

<sup>2</sup>See, for example, chaps. 4 and 5 in Business and Government in Canada: Selected Readings, eds. K. J. Rea and J. T. McLeod (Toronto: Carswell Co., Methuen Publications, 1969).

<sup>3</sup>"Chamber President Stresses Need for National Industrial Strategy," Toronto Globe and Mail, 26 September 1973, p. B2; "Petrochemicals Industry Feels Government Aid Essential to Survival," Globe and Mail, 13 May 1972, p. B10.

While the trend itself is clear, the reasons for it are less so.<sup>1</sup> The growth in the population and especially in areas of spending where government has traditionally been important (e.g., education and welfare) has contributed to the general growth of government; in addition, there are a number of factors which may contribute to a perceived need for tighter control of the economy by a central agency. Among these are the increased vulnerability of nations to events occurring outside their borders and recent concern with such intangibles as the "quality of life." Actions by businessmen which seem irresponsible to either the public or government officials may invite restrictive measures.<sup>2</sup> Finally, there sometimes seems to be a tendency to regard governmental intervention as a cure for all problems--the universal panacea. Authors whose viewpoints on the roles of public and private enterprise differ quite substantially may still come to the common conclusion that government intervention is required to alleviate particular problem areas. The specific type of

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<sup>1</sup> Economic Council of Canada, Eighth Annual Review: Design for Decision Making (Ottawa: Information Canada, 1971), p. 14.

<sup>2</sup> Lawrence Welsh, "Life Insurance Companies Reprimanded for Ignoring Provincial Regulations," Toronto Globe and Mail, 20 September 1974, p. B1.

intervention desired, of course, varies widely.<sup>1</sup>

This tremendous growth could not have occurred without a general climate of support among the population. The tendency to call on government to solve diverse problems was noted above; this represents a departure from the "conventional wisdom of three decades ago [which] . . . held that the proper role of government was limited."<sup>2</sup> Since World War II, the most-emphasized role of the state has shifted from that of "minimal regulation . . . to that of investor-builder . . . to that of provider of services."<sup>3</sup> Moreover, not only has the government expanded in its traditional areas and broadened into others, but it has intervened to such an extent in other areas that it has created a new relationship with industry; "No longer was the government . . . an interested bystander in the production process,

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<sup>1</sup>Examples include John Kenneth Galbraith, The New Industrial State (New York: New American Library, Signet Books, 1967); Mark J. Green with Beverly C. Moore and Bruce Wasserstein, The Closed Enterprise System (New York: Bantam Books, 1972); Bruce R. Scott, "The Industrial State: Old Myths and New Realities," Harvard Business Review 51 (March-April 1973).

<sup>2</sup>Vernon Lang, The Service State Emerges in Ontario: 1945-1973, The Evolution of Policy in Contemporary Ontario, no. 3 (n.p.: Ontario Economic Council, 1974), p. 55.

<sup>3</sup>Ibid., p. 57.

it was involved in and influenced all manner of business decisions."<sup>1</sup> The figures on the growth of government do not, then, tell the whole story; through its increased willingness to use its regulatory powers it can have even more far-reaching effects. "The role of government . . . goes far beyond expenditures and taxes; it comprises also the large-scale and growing interventions in the private economy in the form of subsidies, tax and credit incentives, lending policies and the many controls and regulations of trade, industry and commerce."<sup>2</sup>

Accepting as a fact government's increased size and willingness to intervene in the economy as it sees fit, what is the response by the business community? There are at least three possible reasons why business might oppose this trend. The first, and perhaps most obvious, reason is that of self-interest. If, for example, governments become so active as providers of goods and services that they become competitors or even preempt a business completely, little or no room is left in which a firm can operate and earn the profits necessary

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<sup>1</sup>D. R. Richmond, The Economic Transformation of Ontario: 1945-1973, Evolution of Policy in Contemporary Ontario, no. 1, p. 15.

<sup>2</sup>John J. Deutsch, "How Did We Get into this Mess?" Toronto Globe and Mail, 16 November 1974, p. 7.

for its survival. It may have no alternative but to withdraw from the field. Some segments of the insurance industry provide examples of this type of occurrence. Legislation or regulations which constrain the opportunities open to business may have similar effects, although probably less drastic. Even if regulations do not preclude the firm from operating in certain areas, they may make it more burdensome and reduce the possibility of earning a reasonable return.

A second reason is that business may genuinely believe that, at least in some areas of business activity, it can meet the needs of the public more effectively and efficiently than can governments, perhaps by being more flexible or by being motivated by the chance for profits. This may reflect a more fundamental belief in the value of a free-market system or, perhaps, a fear of creeping socialism. Critics of government often say that, for example, the Post Office might be more efficient if it were run by private enterprise. Businessmen also complain about the extra costs caused by inappropriate government regulations which hamper the competitive position of Canadian goods in world markets.<sup>1</sup> There is also some

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<sup>1</sup>Kenneth Jones, Address to The London Conference, School of Business Administration, University of Western Ontario, London, Ont., 7 June 1974.

evidence that government may aggravate, rather than alleviate, certain problem areas. A recent study of the construction industry indicates that government actions increased the instability which is a chronic problem of that industry.<sup>1</sup>

A third reason for opposition is the apparent existence, at least to some extent, of an adversary attitude in relations between businessmen and governments. There often appears to be a sense of alienation or of a lack of shared purpose between the two groups.<sup>2</sup> This division is probably inevitable to some extent because of genuine conflicts of interest between business and government. Unfortunately, it may also be due in part to a lack of understanding of the roles and responsibilities of other participants in the economy; an inability to see or understand different points of view.<sup>3</sup> Improved information flows between the two groups, and with other groups in society, might help to increase understanding.

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<sup>1</sup>Economic Council of Canada, Toward More Stable Growth in Construction, Report of the Study on Cyclical Instability in Construction (Ottawa: Information Canada, 1973), pp. S17-S20.

<sup>2</sup>Newspaper columnists often comment on this relationship; two recent examples are the columns by Ronald Anderson and Geoffrey Stevens in the Toronto Globe and Mail, June 5 and 6, 1974, respectively.

<sup>3</sup>A. J. Cervantes, "Memoirs of a Businessman-Mayor," Business Week, 8 December 1973, p. 19.



It should be noted here that not all businessmen are opposed to or distrustful of all government moves. Some evidence indicates that a majority of the business community has confidence in the government.<sup>1</sup> It was mentioned previously that larger government presents increased opportunities to some firms and also how businessmen sometimes urge more government activity. In such cases, where business actively seeks government action, it is likely to request the provision of assistance to particular interest groups. A request for government action may also be a defensive move, where a particular type of government measure may seem to be potentially less harmful than other proposed alternatives; i.e., we will accept the lesser evil.

Whatever the reason for the growth of government and whether or not, or for whatever reason, businessmen may dislike it, it remains a fact of life in the nineteen seventies.<sup>2</sup> Like it or not, the Canadian manager of the seventies must learn how to deal effectively with government and with a government-influenced (perhaps even government-dominated) environment.

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<sup>1</sup> "Businessmen Show Confidence in Government," Hamilton Spectator, 8 October 1974, p. 25.

<sup>2</sup> John Partridge, "Can Business and Government Get Along," Financial Post, 7 December 1974, p. 3.

In order to devise effective strategies in this situation, the manager must first of all be able to anticipate in what directions government is likely to move; only when forearmed with this knowledge can he develop strategic responses by which he can better meet the perceived needs of society, at a profit to himself, and thus preserve or enhance his position. At the least, he must be able to recognize if and when the battle is lost, enabling him to withdraw to minimize his losses. It is this anticipation (i.e., the prediction of what the government will do and the awareness of the environment which enables business to make such predictions) with which this study is concerned, for it seems that only if it is done well is business likely to increase the number of situations in which it can adopt the first alternative.

The emphasis in this research study on the governmental part of the business environment is not intended to suggest that managers cannot or should not ~~monitor the larger environment~~ (of which government is only one segment) to detect changes in society's needs and wants and move to respond to them. If done effectively (i.e., to society's satisfaction), this may well obviate the need for some government action. In fact, this would appear to be the most desirable approach for business since it could eliminate, or at

least reduce, the need for dealing with the government as middleman, in its role as society's agent. There are, however, at least three major reasons why a close attention to the activities of the governmental sector seems likely to be a worthwhile effort for many firms vis-a-vis the attention paid to other parts of their environment.

The first reason is the very size of the public sector. As was previously described, government expenditures now represent more than one-third of Canada's Gross National Product and this share is increasing. It seems difficult to believe that almost any firm could safely ignore such a huge concentration of economic power.

Secondly, while the structure of present-day government in Canada is large and complex, with many units and sub-units, relative to its size and economic impact it is probably much more compact and homogeneous than many other sectors of the economy. As a result, scanning efforts in this relatively concentrated area may yield greater returns than in some other areas which are more fragmented or dispersed.

Finally, and unique to government, its influence may go far beyond the level suggested by its share of the economy. This is because of the state's "monopoly

of coercive power;"<sup>1</sup> it possesses the "exclusive regulation of the legitimate use of physical force in enforcing its rules."<sup>2</sup> It is the only participant in the economic arena with the legal authority to impose, rather than to merely request or influence, changes in the conditions under which firms operate--it is the referee as well as a player. Thus a government agency, even one which accounts for only small expenditures on its own behalf, may bring about large changes in a firm's environment by regulation; what is more, such changes can sometimes occur very suddenly.

For all of these reasons, most managers will ignore the government at their peril.

### The Functions of Government

In order to effectively anticipate possible government actions which may affect him and his firm, the manager must first understand how the government functions and how it fits into his environment. To refer again to Exhibit 1, the first dimension listed under

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<sup>1</sup>J. A. Corry and Henry J. Abraham, Elements of Democratic Government, 3d. ed., rev. and enl. (New York: Oxford University Press, 1958), p. 9.

<sup>2</sup>Robert A. Dahl, Modern Political Analysis, 2d. ed. (Englewood Cliffs, N.J.: Prentice-Hall, 1970), p. 12.

"Environment" is "political, social and economic."

This is to a large degree the province of government.

In addition, through regulation of various kinds, government can have major direct and indirect effects on the other dimensions of the environment..

One way to look at the state is to consider it as "... an association for securing the common interests and promoting the common purposes of the individuals who are its members,"<sup>1</sup> and the government as "... the organ of the state, and thus an instrument of society."<sup>2</sup> From this political science-based foundation the following assumption is made for the purposes of this study: that in a democratic system the government is an agent of the society at large and acts to maximize the good of society. Whether this assumption works well in practice or not depends on how well the government can (1) perceive what is good for society, and (2) implement the means to achieve this good.

With respect to the first item, in a large, diverse, and complex society the difficulties inherent

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<sup>1</sup>Corry and Abraham, p. 43.

<sup>2</sup>Ibid., p. 9.

in achieving a consensus on what is "good" are obvious; the situation is further complicated by a government's need to consider the political implications of its actions. As a result, goals are often stated in such broad, general, and vague terms--e.g., equality of opportunity, social justice--that it is difficult to disagree with them. In this study, the greater concern is with the ~~second~~ or implementation, part of the process, i.e., what specific actions will government take in attempting to achieve those goals which it has deemed good and, of particular interest to the manager, how will those actions affect his firm?

Before considering the specific means by which government can effect its desires, it may be useful to ask, in more general terms, What are the functions of government? One view is that "the general role of government should be to produce a favourable economic climate [for business] . . . but not to attempt to 'manage' or 'direct.'"<sup>1</sup> This suggests a general shaping of the environment rather than direct participation in economic activities (in view of the previously noted increase in the state's activities,

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<sup>1</sup>Federal Task Force on Agriculture, Canadian Agriculture in the Seventies (Ottawa: Queen's Printer for Canada, 1970), p. 282.

government in Canada has now probably gone beyond the role envisaged in that description). For actually carrying out specific programs, when these were considered desirable, four main operational functions for government were seen: forecasting problems and opportunities; planning policies and programs; implementation of policies and programs; and program and budget review and evaluation.<sup>1</sup> The first two of these correspond roughly to the strategy formulation model which was discussed earlier.

One often hears nowadays of the existence of or the need for a planned economy. In this context, planning appears to have a somewhat broader meaning than implied in the description of functions above; it would seem to include most of the other activities as well. The concern of the study is with the effect of government actions on firms and, more particularly, with how firms find out about them. As a result, a narrower definition of the functions of government will be used. While an awareness of government planning is an important aid to anticipating future actions, it is the implementation phase of government activity which creates specific actions affecting firms. The use of the term

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<sup>1</sup>Ibid., pp. 282-83.

"government functions" below, then, refers to the functional activities of government agencies in implementing their plans, rather than a broader, more general view of the role of government in the economy.

The relative importance of government actions to a firm will vary with that firm's particular situation. To understand this, it may be useful to look at the types of functional activities which government performs. Andrews<sup>1</sup> names three functions of government: regulatory, supportive, and taxing. These will not be of equal significance to all companies but it is difficult to envisage a firm which is not seriously concerned about taxes and very few which are not subject to one kind of regulation or another.

The first function, regulation, includes such activities as setting rates for utility companies or requirements for disclosure of information. There is such a vast number and diversity of types of regulation that it would be impossible to list them all, but they can range from regulations governing such routine matters as safety or labelling requirements to comprehensive requirements or prohibitions affecting the very heart of a company's strategy.

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<sup>1</sup>pp. 70-71.



The supportive function includes help or support to encourage particular types of company activities. The various aid or incentive programs are examples. This type of activity is usually more focussed or specific in its effects than some of the others.

Through the taxing function, the government affects virtually all companies. Because of the many different types of taxes, the total effects on a firm can vary considerably, depending on how the various types relate to its particular operations. In addition, selective tax measures can be aimed at particular groups for particular purposes.

A government could achieve a specific desired end result by action within any of these three functional areas--by requiring (or forbidding) certain activities; or by providing incentives by means of tax relief (or penalties by increased taxes) to perform (or not perform) the activities. The selection of the method will vary with the circumstances. A combination of the three in some appropriate mix is, of course, quite possible.

While these functions of government are perhaps the most fundamental and are very important, there are others which can also have great effects on firms, although the effect will usually tend to be more specific to an industry or group of industries than the

more general functions described above. They may be of greater importance in Canada than in the United States and this may account for Andrews' not mentioning them. These functions include the government as:

Competitor. In this case the government provides services (and occasionally goods) which are or could be provided by private firms. Perhaps the most common example, which is found in many countries, is the postal service. In this instance, and also in some other areas such as basic health insurance, private firms are excluded by law from competing directly, at least in parts of the business. In others, for example Air Canada and the CNR, some degree of private competition may be allowed, usually under fairly strict controls. The threat of government competition, especially if private operators are excluded, is one of the most serious of government actions in its effects on firms. Even if private competitors are permitted to operate, their need for at least a minimum level of profits in order to survive may make it very difficult to compete against a large organization which does not have this constraint.

Customer. Governments, because of their vast size, are important customers to many firms. In certain industries, such as some types of construction (e.g., road-building, sewer and waterworks) and military

equipment, they are virtually the only customers. Firms in these industries are especially sensitive to variations in government expenditures which, as was mentioned earlier, can aggravate the instability of the industry.

Supplier. This function is probably less important to most firms but in industries such as transportation, some of the services most vital to their operations (e.g., roads, canals, airports) are commonly supplied by government.

Marketer. In some product areas, notably in agriculture, governments may play a major or exclusive role in marketing of the products. This responsibility is often delegated to other agencies but a government may participate directly. This role may increase; for example, the discussion of a possible federal marketing agency for petroleum prompted by the recent energy shortages.

The functions of government described above may not be exhaustive and they are not closely defined. They serve to illustrate the diversity of ways in which governments may act to produce profound effects on the activities of business firms. When faced with many possible alternative actions by government which can affect his firm, a manager may find it useful to have some method of simplifying his problem; this classification provides a rough framework for analysing the situation.

### The Governmental Action Process

To effectively deal with governments, it is essential that business managers have some understanding of how political decisions are made and the resulting actions arrived at. The heart of policy-making is a bargaining process.<sup>1</sup> The effectiveness of a participant in this bargaining depends on a number of factors, the availability of information being a major one. The control of knowledge is important to the exercise of power.<sup>2</sup> The inputs to the political bargaining process are demands, which may arise externally or internally; that is, they may come from groups in the population at large or from units within the government itself. The outputs are the decisions and actions of the governments.<sup>3</sup>

Exhibit 2 illustrates a general, simplified model of the governmental action-development process. Impetus for government action may be generated externally from

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<sup>1</sup>Raymond A. Bauer, "The Study of Policy Formation: An Introduction," in The Study of Policy Formation, eds. Raymond A. Bauer and Kenneth J. Gergen (New York: Macmillan Co., Free Press, 1968), p. 13; Hugh Whalen, "Factors Affecting the Formulation and Implementation of Canadian Agricultural Policy," Report for the Federal Task Force on Agriculture, July 1968, p. 3.

<sup>2</sup>John Porter, The Vertical Mosaic (University of Toronto Press, 1965), p. 221.

<sup>3</sup>Enid Curtis Bok Schoettle, "The State of the Art in Policy Studies," in Bauer and Gergen, ed., p. 169.

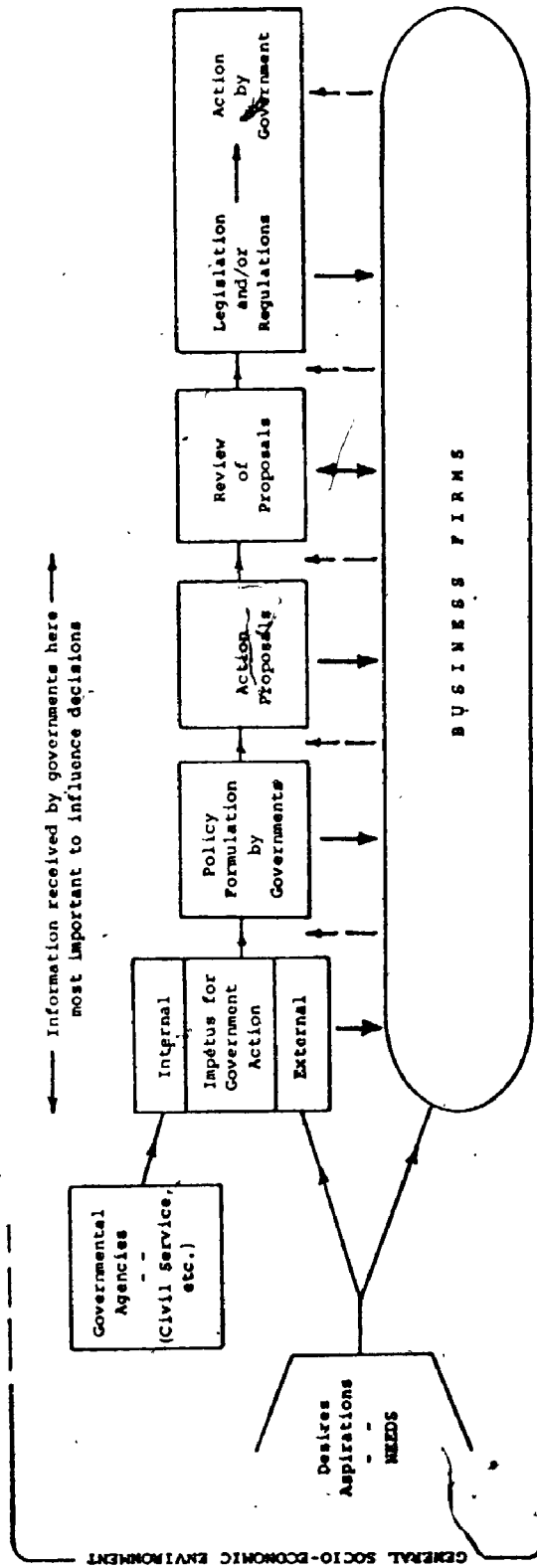


Exhibit 2

GOVERNMENT ACTION-DEVELOPMENT PROCESS

society's needs (if these needs are not earlier perceived and satisfactorily met by business) or by internal pressures from within the government's own structure. The process then moves through the various stages--policy formulation, action proposals, review of proposals--and culminates in legislation or other action. The process can, of course, and often does, terminate at one of the earlier stages if the issue appears to be unimportant politically or undesirable, or if changing circumstances have rendered it no longer an issue. As with Exhibit 1, the diagram simplifies considerably the process represented. Between the "Impetus" and "Action" stages there is likely to be a series of circular loops rather than one linear progression. A tentative policy and proposal may, on review, be revised and a new policy formulated. This may be repeated many times on a complex issue before an action (or non-action) decision is finally made.

Information on government intentions may be gathered by firms at any stage of the process and at each stage there may be an appropriate strategic response (in the diagram, some possible information flows to business firms are shown by heavy black lines and responses by the broken lines): Government may actively solicit responses, from business or other groups,

in the form of information and/or actions at various stages; prior to formulation of policy and at the proposal review stage are perhaps the most likely times for this. Royal commissions, task forces, or other less formal means may be used for this purpose. Because of the tendency to increasing commitment of governmental and other forces to an ultimate action as time goes on, it would seem that, in general, the earlier the stage at which an effective response can be generated, the more likely it is to be influential. By the time intentions are formalized into legislation, it is much more difficult to affect them to any extent. Thus it is not only important to have information of government intentions, but the information must be timely;<sup>1</sup> that is it must be available early enough to permit an effective response. A drawback of early information is that it is likely to be less precise and more uncertain than that available when the action stage is closer, but this is more than compensated for, especially if we recognize its limitations, by its chronological superiority.<sup>2</sup>

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<sup>1</sup>Ralph Nader, "Setting the Facts Free," Playboy, July 1974, p. 50.

<sup>2</sup>Bertrand de Jouvenel; The Pure Theory of Politics (New Haven: Yale University Press, 1963), p. 12.

Exhibit 3, which is reproduced from the Economic Council of Canada's Eighth Annual Review, presents another conception of the decision-making process. While it is only intended to represent a central part of the process, it illustrates the circularity and emphasizes the importance of ". . . a continuous feedback of information into the decision-making process so that objectives, policies and programs can be reassessed and, if necessary, realigned."<sup>1</sup> Business must be aware of government's policy alternatives to provide a useful part of this feedback.

The extent of the influence which the business community has exercised over public policy is not clear. The image of the country's being run by or for a corporate elite which pulls strings and controls government actions and the idea of commonality of interests among public and private elites have been advanced by various writers.<sup>2</sup> One recent study suggests that business groups have been at least as successful,

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<sup>1</sup>Pp. 64-66.

<sup>2</sup>Pierre Berton, The Smug Minority, (Toronto: McClelland and Stewart, 1968), p. 128; Porter, p. 262.



# SELECTED INFORMATION INPUTS TO A DECISION-MAKING PROCESS

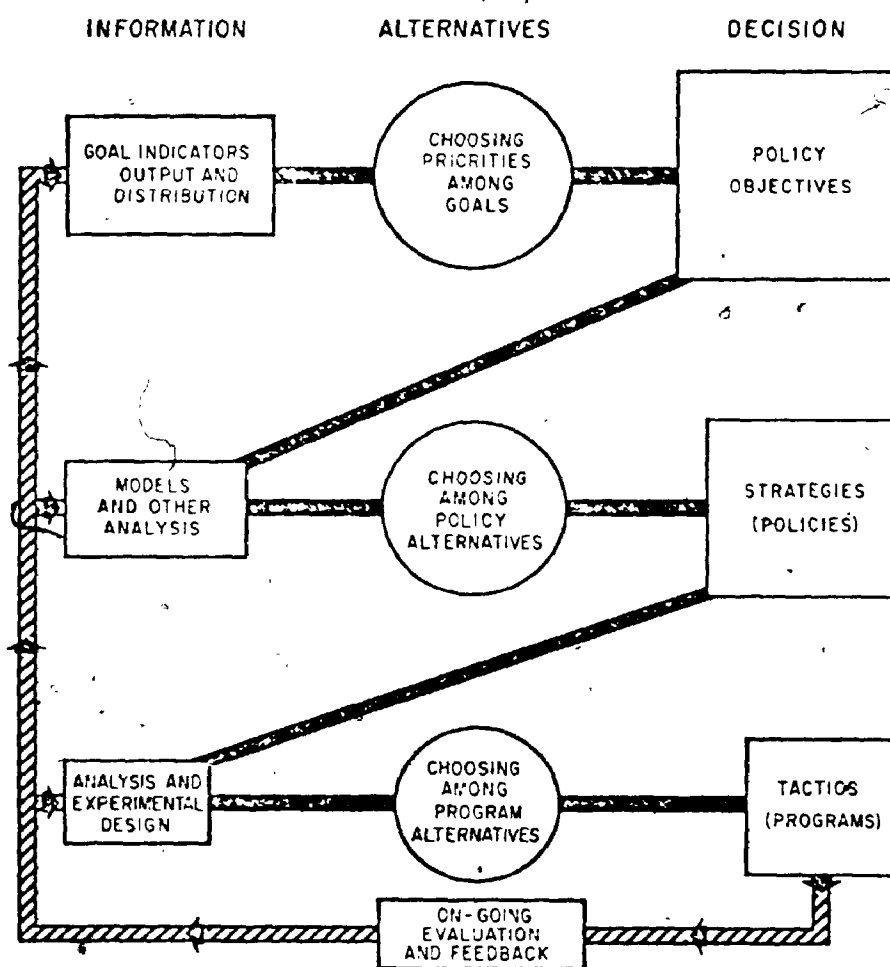


Exhibit 3

from: Economic Council of Canada  
Eighth Annual Review, (197

and possibly more so, than most other large interest groups.<sup>1</sup> On the other hand, Whalen considered that while business has undoubtedly had some influence in governmental decision-making, it generally lacked a coherent point of view. As a result, it appeared that it had been less successful than other groups in influencing decisions and was forced to concede defeat or accept unsatisfactory compromises on major policy issues.<sup>2</sup>

If Whalen's viewpoint is accepted, it could be suggested that a lack of adequate, timely information has contributed to this situation--business has had to react to potential legislation rather than proposing changes prior to public awareness.<sup>3</sup> If this is so, then business is not merely failing to take advantage of its opportunities but, and perhaps much worse, can be accused, by those in government of not meeting its social responsibilities by depriving the public of its knowledge and expertise, a valuable aid in devising

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<sup>1</sup>Robert Rresthus, Elite Accommodation in Canadian Politics (Toronto: Macmillan of Canada, 1973), chap. 7.

<sup>2</sup>Whalen, pp. 60-62.

<sup>3</sup>"Groups Told to Make Proposals before Business Laws Drafted," Toronto Globe and Mail, 14 March 1974, p. B2.

effective programs of action.<sup>1</sup> One may be justified in being suspicious of the motives for such accusations when they are made by political figures but business' image with the public is not so good that it can afford to neglect such criticism.

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<sup>1</sup>R. Basford, "Government and Consumer Protection," in Marketing: A Canadian Perspective, eds. M. Dale Beckman and Richard H. Evans (Scarborough, Ont.: Prentice-Hall of Canada, 1972), p. 143.

## CHAPTER II

### SCANNING BEHAVIOUR OF CANADIAN BUSINESS FIRMS THEORETICAL AND EXPECTED

#### Definition of Terms

In an earlier study, Aguilar defined scanning as "the activity of acquiring information."<sup>1</sup> For the purposes of the current study, scanning has been adopted as the general term for information-gathering activities and is defined more particularly as the gathering of information about the external environment of the firm. In the following text, scanning and information-gathering are used interchangeably and, unless otherwise indicated, refer to events outside the firm.

Formal information-gathering unit is defined as an individual or unit within a company which has formal responsibility for scanning the external environment. For convenience, it is frequently abbreviated to formal or information unit.

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<sup>1</sup>Francis Joseph Aguilar, Scanning the Business Environment (New York: Macmillan Company, Arkville, Press, 1967), p. 1.

### Scanning Behaviour of Canadian Business Firms

Based on the description of the strategy-formulation process and the role of information-gathering in this process which was outlined in chapter I, it appeared to be almost a truism that, to operate effectively, a business firm must perform at least some minimum amount of scanning of its environment. In an era of rapid changes in the environment this is even more critical, since our perceptions of yesterday's environment may no longer be appropriate.

The need for scanning applies to any organization--not just to business firms. Governments themselves require a " . . . means for monitoring the future, for anticipating problems far in advance, and for providing for an orderly build-up of resources to meet these situations as they emerge."<sup>1</sup> If government, which now plays such a large role in the economic, social, and political environment of most firms, must acquire these means, can the business manager afford to do less?

It seems important, then, that managers ensure that they are well-informed of government actions or potential actions or, even better, of situations which

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<sup>1</sup> Economic Council of Canada, Sixth Annual Review: Perspective 1975 (Ottawa: Queen's Printer for Canada, 1969), p. 157.

might produce actions affecting them. As a result, it was expected that they would devote some effort--perhaps considerable effort--to monitoring their environment and especially the government sector of that environment.

The effects of government actions, as was noted in the preceding chapter, do not fall on all firms or industries with equal severity; some are affected more directly and more extensively. In other words, government influences are a much more immediate and significant threat to certain firms than to others. Since the more immediate hazard is the one likely to receive attention, it was expected that firms in industries apt to be most affected by government would be most concerned about its actions. Hence, it was also expected that these firms would make a greater effort in monitoring government and government-related activities than firms to which these activities are less critical.

Based on the theoretical concepts of the strategy-formulation process outlined in chapter I and the awareness of the tremendous increase in the role of government which has occurred in Canada in recent years, some predictions were made about the scanning behaviour of Canadian business firms and how this behaviour may vary with the extent of government

intervention in different industries. The following general hypotheses were postulated to describe the expected behaviour of firms:

1. Business firms, in their formulation of strategy, monitor or scan their relevant environment to gather information on potential opportunities for or threats to them
2. Since government is now such a large (and increasing) and influential component in this environment, a significant part of the scanning activity will be directed to observing and investigating government plans of action.
3. Firms in industries which have a high degree of government planning and control will devote more effort to government scanning than those which are less directly affected

As a first step in analyzing the scanning behaviour of firms, based on the concepts of the strategy-formulation model and the role of government, these hypotheses appeared quite reasonable. In fact, they may appear obvious or even trite. If it is assumed that managers make decisions for their firms in a rational economic way, then the firms would be expected to behave in the manner proposed by the hypotheses. The fact that optimal results are not always achieved could be ascribed to imperfections in the system and/or its participants. The concern of this study, however, was not really in how firms are expected to behave, no matter

how logical the foundations on which the expectations are based, but in how they actually do behave in the contemporary Canadian economy. Some evidence was discovered which suggested that not all firms, perhaps not even many firms, did in fact behave in a manner consistent with the propositions.

There has not been a great deal of research on the scanning activities of business firms and even less which is focussed on Canadian firms or on the government sector of the environment. However, those studies which have been done and some evidence which came peripherally from research in related areas suggested that the hypotheses presented above might not adequately describe actual scanning behaviour.

In one of the few important studies in this area, Aguilar found support for the hypothesis that managers tend to react to environmental circumstances rather than to anticipate and plan for major changes.<sup>1</sup> That is, they do not attempt to shape their environment in a way more favourable to their firms but merely respond to conditions of an environment created by others. He also found that scanning activities tended to be fractionalized and uncoordinated; in addition to not obtaining all the

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<sup>1</sup>p. 61.



relevant information which was readily available, managers failed to utilize information which was already in the possession of the company.<sup>1</sup> Of particular interest to the present study was that in Aguilar's ranking of the relative importance (to managers) of various areas of external information, "Broad Issues", in which were included government actions, accounted for only 8 per cent of the responses; he found this one of the most discouraging of his findings.<sup>2</sup> With respect to information with strategic implications, however, the responses in this area increased to 12 per cent.<sup>3</sup> In a subsequent study which focussed on the international business environment, Keegan also concluded that scanning activities did not receive attention commensurate with their importance.<sup>4</sup> A more recent study conducted for the National Science Foundation in the United States ranked unavailability of information critical to decision-making and uncertainty about government policies

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<sup>1</sup>Ibid., p. 184.

<sup>2</sup>Ibid., pp. 43-44.

<sup>3</sup>Ibid., pp. 54-55.

<sup>4</sup>Warren J. Keegan, "Scanning the International Business Environment: A Study of the Information Acquisition Process" (D.B.A. thesis, Harvard University, 1967), p. 181.

at or near the top of a list of major barriers to innovation.<sup>1</sup>

From what was known of the Canadian scene, the situation here was not much different. A recent study of the accident and sickness insurance industry found that the industry had done little to establish good working relationships with governments and, as a result, had "little knowledge of, participation in, or influence on government plans which affect the industry."<sup>2</sup> In his investigation of the regional incentive grant program, which the federal government established to encourage development in certain regions of Canada, Springate found that businessmen were generally aware of the grant programs. However, they often made little effort to follow up on this limited knowledge and to evaluate possible benefits which the program might present for their firms.<sup>3</sup> Banting and Litvak concluded that while

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<sup>1</sup>Ernest D. Phelps, "Study Finds Unavailability of Market Information and Executives' Fear of Failure Bar Innovation," Marketing News, 1 May 1974, p. 1.

<sup>2</sup>D. H. Thain, R. W. Archibald, M. Fournier, and G. A. Sheehan, "A Study of the Accident and Sickness Insurance Industry and Its Relations with Government," Report for the Canadian Association of Accident and Sickness Insurers, Toronto 1973, p. 34.

<sup>3</sup>David Springate, Regional Incentives and Private Investment (Montreal: C. D. Howe Research Foundation, 1973) pp. 33-34.

Canada's major industrial firms were not very sensitive to general societal pressures having no legal sanction (among possible reasons for which they included inadequate resources assigned to the monitoring task and poorly structured communication channels), they were much more sensitive to governmental legislation affecting their operations.<sup>1</sup> Even accepting that this sensitivity does exist, which presumes an awareness by business of legislation or pending legislation, the legislative stage is so late in the governmental action process that effective response is likely to be extremely difficult, if possible at all. But to raise further concern about the likelihood of timely responses, Beckman's findings indicated that very few businessmen had much knowledge even about legislation of direct concern to them; they had "only a very hazy notion of governmental concerns and activities in the marketplace."<sup>2</sup>

While these findings were somewhat discouraging, a more promising sign was that there seemed to be at

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<sup>1</sup>Peter M. Banting and I. A. Litvak, "Societal Pressures: How Big Business Perceives Them," Business Quarterly 36 (Spring 1971): 36.

<sup>2</sup>M. Dale Beckman, "What Businessmen Know about Government and Legislative Intent," The Canadian Marketer 6 (Fall, 1973): 13-17.

least an increasing awareness of the existence of problems in business-government relationships. The two groups were accused of "ignoring each other" and a need was seen for "clearer speaking" between them. Businessmen were "advised to enter politics" to present their viewpoint and greater "public input" to government policy-making was urged. On a more optimistic note, the government's attitude toward business was seen as "shifting for the better."<sup>1</sup> While these statements do not remove the difficulties, recognition of the problem's existence is the necessary first step to improving the situation.

The evidence referred to in the preceding paragraphs was limited and fragmented and it would be risky to attempt to base firm conclusions about scanning behaviour on such a foundation. But the fact that the various studies tended to be generally consistent in their findings, and especially in view of the fact that there was little evidence to support the idea of strong scanning performance, forced reconsideration of the initial hypotheses. It appeared that many managers did not behave as had been hypothesized or that, if they did

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<sup>1</sup> There are numerous reports in the daily newspapers and other media of statements by business leaders on the subject of government and its relations with business. The quoted phrases are taken from various reports in the Toronto Globe and Mail during 1973 and 1974 and are repeated here as typical of views expressed.

behave in this way, they did not do it very effectively.

On review, perhaps this should not have been too surprising. Some of the difficulties related to information-gathering were alluded to in Chapter I.

It is not a simple task. "The complexity of issues and the proliferation of structures dealing with them make the job of assessing the ramifications of a problem very difficult;"<sup>1</sup> and "In practice, no company can systematically monitor every part of its environment that might change. The task is too great."<sup>2</sup> While these difficulties are recognized, information-gathering still remains a key component of the strategic process and cannot be ignored. Based on the evidence which was available, it appeared that the first two hypotheses were not likely to be supported.

With respect to the third hypothesis, some amplification was considered necessary. This hypothesis suggested that firms whose activities were more closely affected by government would devote more effort to scanning the government sector of the environment than

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<sup>1</sup>Martin Ryan Haley and James M. Kiss, "Larger Stakes in Statehouse Lobbying," Harvard Business Review 52 (January-February 1974): 130.

<sup>2</sup>William H. Newman and James P. Logan, Strategy Policy, and Central Management, 6th ed. (Cincinnati: South-Western Publishing Company, 1971), p. 26.

those less affected. It also appeared likely that the kinds of information which they sought might be different. It could be argued that for firms which are greatly constrained by government control, the concept of strategic decision-making is not very meaningful. That is, the government makes, explicitly or implicitly, most of the major strategic decisions for the highly-controlled industry and the managers of the individual firms are left to make only administrative and operating decisions, to use Ansoff's categories.<sup>1</sup> In contrast with industries which are less controlled, then, these firms may need to seek less strategic information and more which is concerned with routine operating and administrative matters.

#### Summary and Conclusions

At the beginning of this chapter, three hypotheses based on the concept of strategy-formulation and a recognition of government's role in the economy were presented. A review of the somewhat limited evidence available indicated that the first two hypotheses would not be supported and that the third required some clarification and expansion. As a result,

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<sup>1</sup>H. Igor Ansoff, Corporate Strategy (New York: McGraw-Hill Book Co., 1965), p. 5.

the following tentative conclusions were reached:

1. Most business firms in Canada do not have an effective system for monitoring their environment and gathering information on future developments likely to affect them
2. Among those firms which do scan the environment to at least some extent, information-gathering with respect to government actions does not receive a large proportion of the total effort
3. Business awareness of government actions or proposed actions tends to come relatively late in the governmental decision-making process, when it is more difficult to make effective responses. As a result, firms tend to react to circumstances rather than to influence them
4. Firms in industries which have a high degree of government planning and control will devote more effort to governmental scanning than those in less-regulated industries; however, the information they seek will be more concerned with routine matters than with strategic factors

These conclusions formed a revised set of hypotheses. It was expected that this set would conform more closely with the actual current conduct of Canadian business firms. These revised hypotheses provided a basis for the field research which constituted the major part of this study.

### CHAPTER III

#### THE RESEARCH STUDY

As stated in the introduction (page 4), this research study attempts to discover how Canadian business firms scan the government sector of the environment (if they in fact do so), to identify variables relating to their scanning behaviour, to test hypotheses based on theoretical considerations and evidence from previous work by others, and, where possible, to identify possible weaknesses in current scanning practices and the implications that these weaknesses may have for managers.

Initial plans for the field research centred around a survey of a relatively large sample of Canadian business firms to provide answers to these questions. After considerable preliminary consideration, however, it became clear that a number of difficult problems would be encountered in this approach. While there is some evidence available (much of this was summarized in the preceding chapter) which indicates the results of scanning behaviour, or of the lack of such behaviour, there is very little material which details how this information-gathering is done. The work of Aguilar and others provided some guidance on managerial approaches



to scanning, but these results were not directly related to either the Canadian environment or to the governmental sector.

This lack of material gave rise to problems in establishing the methodology of the study; specifically in developing an appropriate questionnaire for the survey. In reality, so little was known about the possible environmental-scanning behaviour of Canadian businesses that it was difficult to know the right questions to ask. While the responses to a questionnaire prepared under such a handicap would presumably have provided correct answers to the questions asked, there would be no assurance that these questions had in fact covered the most important areas of the problem. On the other hand, an open-ended questionnaire, while possibly overcoming this problem, would have presented large difficulties in data classification and analysis and perhaps enough digression from the area of interest to render the task unfeasible.

As a result of these potential problems, it was decided to conduct the field research in two phases. To obtain a clearer picture of what at least some firms do about environmental scanning, an exploratory study of a small number (four) of firms was made by conducting interviews with executives of these firms and other organizations related to their industries. The findings from these interviews were then used to refine the

hypotheses which were presented in the previous chapter and to develop a questionnaire to be distributed to a larger sample of companies. The use of the personal interview enabled the researcher to explore in a relatively unstructured manner the information-gathering activities of the executives and their firms while retaining the control necessary to sufficiently confine and focus the area of discussion.

The second phase of the research consisted of a questionnaire survey of the scanning behaviour of a greater number of large Canadian business firms. The findings of the first phase assisted in the development of the questionnaire.

The two phases of the research are outlined in more detail below.

#### Phase I

In effect, phase I of the field research consisted of a series of miniature case studies of the selected firms. The objective of this phase was to explore what, if anything, the firms did with respect to scanning their environment, particularly with respect to the government sector of that environment, and how and to what extent they were affected by government actions. While some prior conceptions were held of what the answers to the questions might be, the interviews with company executives

were kept as unstructured and open-ended as possible, in order to obtain their views of the issue with minimal influence from the researcher's possibly erroneous preconceptions. The sample of four companies was selected to include a reasonable diversity of Canadian industries. Subsequently, from the information gained in this phase, the more comprehensive work of phase II was planned. In addition to the development of the required questionnaire, the general hypotheses stated in chapter II were refined and made operational for testing in phase II.

The detailed description of the work of phase I and the findings therefrom are presented in chapter IV.

#### Phase II

Phase II of the field research consisted of a questionnaire survey of a larger sample (approximately 130 firms) of Canadian business enterprises. While necessarily of more limited depth than the interviews of phase I, it provided a picture of scanning behaviour and perceptions of government effects from a wider cross-section of Canadian businesses representing a significant part of the nation's economic activity. The findings of phase I provided some assurance that the questionnaire did address areas which were relevant to the scanning activities of many Canadian firms. The

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questionnaire, in general, sought to discover the scope and methods of this scanning activity, the nature and extent of government effects on these firms, and other factors found to be relevant in phase I.

The questionnaire and the sample population are described in more detail in chapter V, along with the findings of this phase of the study.

## CHAPTER IV

### COMPANY RESEARCH: PHASE I

#### PRELIMINARY CASE STUDIES

##### Sample Selection

The sample used in this phase of the study was small (four firms); as a result, it can in no comprehensive way be considered as representative of Canadian business firms in general. Recognizing this obvious limitation, this phase provided an essential link in the research: its purpose was to obtain a general picture of the behaviour (with respect to scanning and the government sector) of some Canadian firms which would provide a basis for further investigations. If the firms selected were reasonably typical of at least some parts of the business community, this purpose would be accomplished. However, an attempt was made to reduce the possibility of selecting a sample which was grossly atypical, as well as to provide representation from a broader cross-section of Canadian business activity, by selecting the firms from four different industries.

As noted in chapter III, it was not clear at the

start what the important variables affecting scanning behaviour might be. Similarly, it was uncertain what criteria should be used to obtain a reasonable variety in this small sample. Since one of the initial hypotheses was that scanning of the government sector might be influenced by the extent of government's effect on an industry, it was decided to use this criterion in choosing the sample. Consequently, the four firms were selected from industries considered to represent a range of government involvement in their activities.

The choice of this criterion did not remove all of the difficulties. While it seems obvious that some industries are likely to be more affected by government actions than others, defining the differences in a quantitative or even a qualitative manner is not a simple task. A classification system which ranked firms or industries with respect to the extent of government effect on them was needed. Fortunately for the purposes of this study, some previous work by D. H. Thain had described a system which lent itself to this application.<sup>1</sup>

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<sup>1</sup>The system devised by Thain proposed four different models of the firm in the Canadian economic system. It describes major characteristics of the four groups and orders selected industries on a scale (from "minimum" to "nationalized") of degree of government planning and control.

The four firms in the sample were chosen to represent public utilities, the financial community, food products processing, and consumer goods retailing. These industries were perceived to rank from high to low (in the order listed) on an ordinal scale of degree of government planning and control. Nationalized firms, owned either directly by governments or indirectly through various government agencies, were excluded from the sample. While such firms occupy important positions in the Canadian economy, especially in the utility and transportation sectors, and might very logically be regarded as merely an extension of the range of government control, the primary interest of this research was in privately-owned firms operating in a government-influenced context. Hence these publicly-owned enterprises were outside of the area of study. While the categories in the degree of government planning and control generally are more of a continuum rather than a series of discrete groupings, the fact of public or private ownership provides a convenient break-point.

An obvious additional criterion for the selection of the sample firms, which was dictated by practical considerations, was accessibility. Firstly, executives of the selected firms had to be willing to be interviewed.

Fortunately, no serious problems were encountered in gaining access to managers in the firms. Secondly, the geographical location had to be convenient. All of the interviews were conducted in southern Ontario. While this geographical confinement might possibly have introduced some bias, this was considered to be minor. Southern Ontario holds the largest concentration of business firms in Canada, including many corporate head offices, and thus provides considerable variety in the firms available. In addition, while all of the firms interviewed have major operations in Ontario, not all of them have head offices here and all four of them conduct business in at least one other province (some have operations in the United States as well). It was considered that this scope of operations would provide insights into their activities in other jurisdictions and thus minimize the danger of obtaining merely an Ontario viewpoint--the findings would at least be tempered with experience in other provinces.

#### General Procedure

As noted in chapter III, the data for phase I were collected by means of interviews with executives of the four selected companies and with representatives of some other associated organizations, primarily industry



associations. Since this phase of the research was exploratory, the interviews were kept as open-ended as possible. This approach also helped to minimize the danger that the data would be influenced by any biases or preconceptions which the researcher might bring with him. In order to keep the discussions from straying too far from the area of interest and to ensure coverage of these areas, however, it was necessary to introduce some structure into the interviews. To this end, the following list of major areas on which information was desired was used as a guide during the interviews (more general background data on each of the companies had been obtained prior to the interviews, mainly from published sources):

- does the company have a formal scanning or information-gathering system? if so, how does it operate?
- personal scanning habits of interviewee--sources, types of information, amount of effort devoted
- extent of government effects on company--type of action which is of most concern
- effectiveness of government-scanning; are there surprises?
- problems encountered
- other parties involved
- other information

The last point, "other information", was intended

to include any other major items related to scanning or government relations in general which came up in the course of the interview. For the interviews with associated groups, the above list was modified somewhat, focussing on the role of these organizations in gathering information for their client companies and in providing a channel for government-business communications in general.

#### Field Research

Interviews were conducted with a total of eight executives of the subject companies including two presidents and four vice-presidents. In addition, four other individuals in related industry associations and in government were interviewed. The interviews took place in the spring and early summer of 1974. A description of each company, its information-gathering activities, and the scanning habits of the executives is given in the following pages.

## The Consumers' Gas Company

### General Information on the Company and Industry<sup>1</sup>

The Consumers' Gas Company (hereinafter referred to as CG) is a large distributor of natural gas with headquarters in Toronto. In fiscal 1973, the company's total revenues were almost \$240 million and assets exceeded \$600 million. While it has interests in other activities, including oil and gas exploration, development and production, computer operations and real estate, by far the bulk of its revenues (over 90% in 1973) come from the sale of gas to its customers. The company is long-established, having been in existence for one hundred and twenty-five years. It began as a manufacturer of gas, which it sold to its customers in the Toronto area, but in the last twenty years it has become almost exclusively a distributor of natural gas, with most of its supplies purchased from other sources, mainly Alberta gas from TransCanada PipeLines Limited. As a result of recent developments in the energy field,

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<sup>1</sup>Data on company and industry operations were obtained primarily from the following sources: Canadian Gas Facts 1973 (Don Mills, Ontario: The Canadian Gas Association, November 1973); The Consumers' Gas Company, 125th Annual Report, for the year ended September 30, 1973; Statistics Canada, Gas Utilities: Transport and Distribution Systems 1970, Catalogue 57-205 Annual (Ottawa: Information Canada, October 1973).

particularly possible shortages in long-term supply, the company is showing greater interest in the sources of its gas supply.

While CG's gas distribution operations are confined almost exclusively to the Province of Ontario<sup>1</sup> (in fact to south-central and eastern Ontario including Toronto and the surrounding area, the Niagara peninsula, and parts of eastern Ontario including Ottawa), these operations represent a significant share of the Canadian gas industry. CG accounts for almost one-half of all gas operations in Ontario with respect to sales revenue, volume of gas sold, and number of customers, and close to one-quarter of Canadian totals in these categories. Its recent growth has been more rapid than that of the Canadian gas industry as a whole--in the ten year period 1962-72 inclusive its volume of gas sold increased 321% and its sales revenue 251%; Canadian totals for the same period showed increases of 178% and 157% respectively.

Since gas distribution companies are generally granted exclusive franchises to supply gas to customers in particular areas, there is virtually no competition from other companies in the same industry. Their

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<sup>1</sup>The company also distributes gas in the Hull area of Québec and the St. Lawrence River area of New York State, but these areas account for only a small percentage of total sales.

immediate competition in the marketplace comes from suppliers of other forms of energy, mainly oil and electricity. Gas distributors may tend to be less affected by changes in the level of general economic activity than many firms, since a large proportion of their sales is used for heating of residential and commercial properties. This demand seems unlikely to vary greatly with changing economic conditions.

Utilities in general are usually considered to be among the industries most highly-regulated by government, perhaps the most regulated. In Canada, many utilities are in fact owned by governments at various levels. The gas industry is no exception, although the extent of public ownership appears to be lower than in some other utility industries. In Ontario, the gas industry is directly regulated by the Ontario Energy Board, which must approve the rates which distribution companies charge their customers. The Board also regulates many other facets of their operations. The company is also affected by decisions of the National Energy Board, which regulates the interprovincial pipeline carriers and hence controls the cost of CG's supplies. While these boards have the most direct and, because of their rate-setting powers, probably the most important effects on the company, it is also affected to varying degrees by many other government agencies.

Scanning Activities - Formal and Informal

Of the four companies interviewed in this phase of the study, QG was the only one which could be considered to have a formal scanning system; that is, with units within its organizational structure which were specifically charged with the responsibility for gathering information for company use. There were two units which had this responsibility--the library and a planning and economics section.

The library was responsible for receiving and channelling to appropriate individuals information from published sources: primarily publications from government agencies, various industry groups, and periodicals. In essence, it performed a screening and directing function with respect to information from external sources--selecting those materials which appeared relevant and directing them to particular executives to whom they would be of interest. The planning and economics section, as its name might imply, was more concerned with long-term environmental considerations of importance to the company. It gathered material from many sources; some of the more important of these were economic data and forecasts published by government agencies, the financial press, industry associations and bodies such as the Conference Board, and various planning groups and associations.

In addition, while not part of a formal information unit, company managers in all areas were encouraged to include in their regular reports any information which they had received and which they considered might be relevant to company activities in other areas. While this section might channel some information received directly to particular executives, its primary function could perhaps be considered to be analysis of the raw information and then its dissemination in the form of various reports prepared for management and other personnel.

Because personnel in both of these units had duties other than those which could be classified directly as information-gathering, it was not possible to put an exact number on the amount of time spent on this activity. However, based on estimates by company executives, it appeared that time equivalent to approximately five or six full-time persons was spent in activities directly concerned with information-gathering.

As well as the company's formal scanning system, the research was concerned with the personal scanning habits of individual executives. Recognizing that there is considerable variation in these habits among individuals, the following comments represent a composite of views

expressed with a range of activities noted where there were considerable differences.

With respect to the amount of time spent on scanning, there was considerable variation. Some respondents considered scanning to be a constant process and such an integral part of their jobs that time spent specifically for this purpose could not be isolated from their other activities; while unwilling to put precise values on the proportion of their time spent on scanning, these persons generally considered that it would be high. On the other hand, one executive considered that he spent only about fifteen per cent of his time in gathering information; of this, perhaps two-thirds was on information related to government actions. Recognizing the limitations of a generalization based on a very small sample of respondents, it appeared that staff executives tended to be in the first group; operating executives in the second. A difference between staff and operations was also seen in the relative amount of important or strategic vs. routine information received; operating executives appeared to consider more of their information of strategic importance.<sup>1</sup>

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<sup>1</sup> Strategic information was defined to the respondents as that relating to factors expected to have significant effects, now or in the future, on the company's major activities, in contrast to routine information relating to day-to-day or short-term operations.



The sources of information covered a broad range; included were journals and newspapers of all types, but especially the financial press, reports and publications from various government agencies, industry associations and business groups, internal company reports, and personal contacts both within and without the industry. To generalize again, the published material provided the bulk of the information, but internal reports and personal contacts the most important. Published material provided more general items which often alerted executives to a situation; specific or more detailed information would then be sought through personal contacts. Contacts within the industry were considered most important, but those in government and elsewhere were also useful. Informal contacts maintained through membership of individuals in various organizations and committees, both industry and outside (including governmental) were considered an important source of information, both general and specific.

Government officials were considered to be generally fairly accessible when seeking information, although often restricted in the type of information they were able or willing to provide. Most such contacts were with civil servants; contacts with elected or political figures were infrequent.

### Government Effects on Company

All respondents in the company agreed that their company and industry were among the most regulated or affected by government actions, perhaps the most affected among privately-owned industries. As noted previously, the most important effect was the government's control of rates, both on the supply and customer side. In effect, these regulatory powers set limits on the value-added available to the company and to the number of strategic options open to it.

The effect considered next in importance was that of taxation. This, of course, is a general effect applying not only to this industry, although there are also some specific taxes which affect it.

These two effects were seen as far and away the most important to this company. There were many other types of regulations affecting its operations, safety regulations being an obvious example, but these were more routine in nature and of less importance to company strategy-making.

There are also other, more general effects on the industry which could be ascribed, more or less directly, to the actions of government. One is the general level of economic activity or prosperity in the

✓ country; as mentioned above, while this is of obvious interest to the company, it may be less important to the industry than to many others. Of more concern is the climate of uncertainty which may be created by a lack of policy or changes in policy by government agencies. This is probably of greater importance now than previously, since energy in general has become of more concern to government. Government attitudes to such items as gas exports, when not well-defined and settled in policy, create instability in the industry and make long-range planning more difficult.

The provincial level of government is regarded as having the greatest effect on the company. This is primarily due to its powers to set the company's selling price, but is also due to the many other regulations which it establishes. Municipal governments are also extremely important because of the large assessment value of company facilities with the consequent tax implications, and because of such matters as establishing rights-of-way for company installations. The municipal effect, however, tends to be more concerned with routine, day-to-day matters. The federal level has had less direct effect on the company, but this may be growing and the indirect effects alluded to above may be more the result of federal activities.

### Evaluation of Scanning Effectiveness

All of the executives interviewed said they were reasonably satisfied with their information-gathering system with respect to government actions affecting the company and that no major problems were encountered. Their comments could be generally paraphrased in the following manner: while we do not get all the information we would like to have, we get the bulk of what is reasonably available. It was recognized that certain types of desirable information, e.g., tax changes in a federal budget, would not be made available to outsiders and predictions would have to be made based on more general information. Also, the critical (to the company) decisions on rates, which were arrived at by the energy boards after extensive public hearings, were difficult to predict. It was not considered likely that this would change or that prior information would be available to the company.

Another way of evaluating scanning effectiveness is the number of "surprises" which the company had received; that is, actions by governments affecting the company and which were wholly or largely unexpected. In general, few such surprises were reported, although they could be quite important when they did occur. An example was the planned acquisition by CG of another gas distributor; this was not contrary to existing regulations

but when it was announced, regulations preventing it were enacted retroactively. Since such a takeover was not forbidden at the time, the company had assumed it was free to proceed. In this instance, the absence of government policy covering the situation, probably because the situation had not been considered or foreseen, did not prevent the government from responding to a specific case and affecting its outcome. It thus becomes apparent that information on attitudes of government leaders towards areas of interest to the company, and not just on formal legislation or regulations, is of importance to company decision-making; i.e., it is important to anticipate the forces which may push the government towards specific legislative or regulatory actions in advance of such actions.

## London Life Insurance Company

### General Information of the Company and Industry<sup>1</sup>

London Life Insurance Company (hereinafter referred to as LL) has in its one hundred years of existence become one of the largest life insurance companies in Canada, with premium income in 1973 approaching \$300 million and assets exceeding \$2 billion. These amounts represented over ten per cent of the Canadian totals in each of these categories; a significant position in an industry with more than 160 active companies. Many of these companies, and LL is no exception, are involved in more than just life insurance in its many forms. Health insurance, annuities, and pension business represent major operations for many companies. Because of the very large amounts of money generated by their operations, life insurance companies are a major source of capital and play an important role in Canadian financial activities. Although many large foreign-based firms are active in the insurance industry, Canadian companies have maintained a strong position.

There is a long history of government regulation.

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<sup>1</sup>Data on the company and industry were obtained primarily from the following sources: Canadian Life Insurance Facts 1974 (Toronto: The Canadian Life Insurance Association); London Life Insurance Company, 99th Annual Report, for the year ended December 31, 1973.

of the insurance industry. Because of the prominent place of life insurance in individual financial planning, and especially with respect to its role in providing for the financial well-being of survivors, governments have long provided many regulations governing the conduct of insurance companies with the aim of ensuring the security of these policyholders' claims. An additional reason for government interest in the industry is undoubtedly its previously-noted importance as a financial institution; serious upheavals in the industry would have far reaching effects throughout the economy.

Both federal and provincial governments have Superintendents of Insurance offices which administer many of these regulations. The regulations cover such diverse areas as the type and proportions of various securities in which companies may invest their reserves, conditions of policy agreements, and even sales methods and advertising.

As might be concluded from the large number of firms, the life insurance industry tends to be highly competitive. While the majority of these companies are relatively small, there is a significant number of firms which, based on the size of their assets, could only be classified as very large and are thus able to offer strong competition in all areas. In addition, if the industry is defined somewhat more broadly to include

firms offering savings and investment services, as well as those providing financial security for individuals and their survivors, then such institutions as mutual funds, trust companies, and banks can be considered as competitors in some areas. Last, but by no means least, we have the various levels of government. For as well as imposing the direct regulation referred to above, the government can affect this industry as a competitor. Through such means as the various welfare payment schemes, unemployment insurance, and the Canada Pension Plan, governments provide a large measure of financial security, at least at a minimum level, to many Canadians and this may to some extent be considered as a substitute for the services offered by insurance companies. In some cases, as noted on p. 32, government has eliminated private companies as competitors by legislation which forbids them to offer certain types of insurance to the public.

#### Scanning Activities - Formal and Informal

LL does not have a formal information-gathering unit as such; however, there is a planning unit which devotes some of its efforts to monitoring the general economic and political environment. It is particularly concerned with longer-range effects; attempting to detect changing trends in the social environment and possible



responses to these by the company and others, including governments. It is thus somewhat similar, on a smaller scale, to the planning and economics section of the Consumers' Gas Company which was described in the previous section. As before, because several individuals were involved and other activities were carried on by this unit, it was difficult to put precise figures on the amount of effort devoted to environmental scanning; however, it was estimated that time equivalent to approximately one-half of a full-time person was devoted to gathering information about government activities of concern to the firm.

Sources of information for this unit included newspapers and periodicals, both general and specialized, industry associations, and personal contacts with persons both within the industry and outside, including government people. Company executives often passed on information which they had received from their own sources to this unit when it appeared that it might be useful to others in the company, but official channels were not established for these exchanges. In addition, there was a general charge to company agents and other personnel to send back to head office any items of information which they acquired in their day-to-day activities and which they considered would be of interest and importance to the company. Most of the information received by this unit which was considered

to be useful came as the result of a directed search and was solicited. However, the general scanning activities and the unsolicited information received often provided a trigger for a directed search for further information.

As in the previous section, the following description of the information-gathering habits of individual executives represents a composite of the views of several people within the company and in related organizations.

The amount of time spent in gathering information about government actions varied from about five to twenty per cent. It was not possible to get estimates of the amount of time spent on all information-gathering because of its being intermingled with other tasks. Recognizing the limitations of the small sample, a cautious generalization was made that operating executives tended toward the lower end of the range noted and staff people toward the upper. Operating executives also considered that more of their important information came from general (as opposed to directed) scanning than did staff managers. As in the previous case, operating executives received a higher proportion of information considered to be important or strategic.

There was a general agreement that personal contacts with individuals in government and in the

insurance and related industries were the most important sources of useful information. Second to these in importance were internal company sources, both through formal channels and reports and informal contact among company managers. Newspapers and periodicals provided general information. Government publications and industry associations contributed a great deal to the quantity of information received, but were considered to supply less of the important material. This is not to say that these latter sources were not useful or even essential, but more that the large amounts of data which they supplied were applicable to more or less routine operating and administrative matters rather than to major strategic considerations. Industry associations may, however, play a more important role than the supply of this useful but not necessarily crucial information. The many meetings, committees, and other activities organized under their aegis and involving many people from within and without the industry provide an opportunity and setting for establishing and maintaining the personal contacts which seem to be useful.

Government officials were generally considered to be quite readily accessible, but it was often difficult to know what official or department should be approached in seeking information. As a result, considerable time might be spent in finding the right person or persons.

Also, even when they were reached, they were not always able to provide much in the way of useful information.

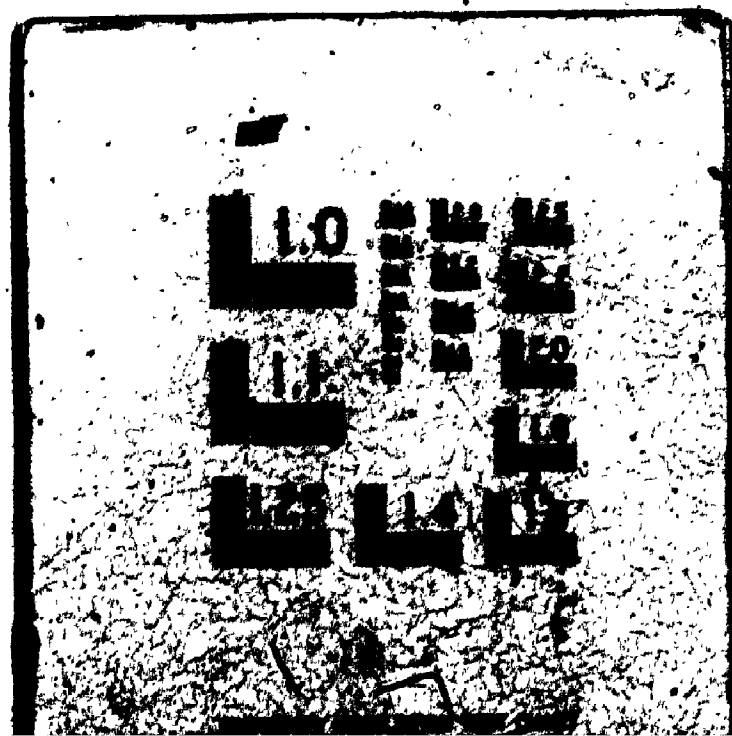
#### Government Effects on Company

Respondents in this company considered their industry to be highly regulated and affected by government actions. However, they did agree that some other industries were even more affected. They believed that banks and railroads were more highly regulated, trust companies affected to about the same degree as insurance, and most others, including manufacturing, to be less affected. Some of the reasons for the high degree of regulation--the responsibility for individuals' and families' financial security and the sheer size of the assets controlled by insurance companies--were noted earlier. The increasing responsibility which the state has assumed in recent years for the security and welfare of its citizens has involved it more heavily with the insurance industry, both as regulator and competitor. Despite this, insurance companies still retain a considerable degree of freedom to develop their products and services and to compete with each other for customers.

Regulation of various kinds was considered to be the most important effect which government had on the insurance industry. Some regulations, for example those governing solvency and the financial security of policyholders' interests referred to earlier, have

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obvious direct effects on companies' operations. Others, which exclude companies from certain areas or which require them to redesign their products to fit around various government programs, also have quite direct effects. Some of these programs, while created by regulation and/or legislation to provide services to citizens, may reduce the need for the products of insurance companies. These regulations have a more indirect impact and perhaps should be considered as effects of government's role as competitor rather than regulator.

Taxation was considered the next most important effect of government on the insurance industry. This too has direct and indirect aspects. The direct effects are those taxes levied on companies under the income tax and other acts. Indirect effects of taxation include the results of various tax policies as they apply to individuals. Examples are the opportunities afforded to avoid or reduce individual taxes through pension and retirement savings plans. These may present opportunities to insurance companies (and others) to develop new or modified services to meet the changed needs of individuals, and thus have their effects on plan designs.

The ranking of regulatory and taxation effects was not as clear-cut as in the Consumers' Gas Company;

perhaps because of the greater impact of the indirect type of effect:

The general level of economic activity also has its consequences for the company and, insofar as governmental actions influence this activity, this may be considered as partially due to government. The industry was considered to be less cyclical than many others and some respondents did not see any pattern in the relationships between insurance sales and such factors as unemployment rates and personal disposable income. On the other hand, inflation was considered to have an effect; as in other industries it contributed to rising costs of operation, and perhaps more important, it may influence attitudes toward the insurance idea--i.e., a fixed-return type of instrument such as permanent life insurance can be seen as less desirable in inflationary periods. Interest rate levels also had an impact; the volume of policy loans tended to rise when interest rates exceeded the guaranteed low loan rates on many existing policies.

Both the federal and provincial levels of government had major effects on the industry, with the provinces' influence increasing more rapidly. The federal role has historically been that of protecting the policyholder--ensuring solvency, etc.--while the provinces are more concerned with the control of the

products and services offered; this latter area has been changing more rapidly. The number of agencies or departments of importance to the industry has also increased; while relations with the various insurance superintendents' offices are of long standing, insurers must also be concerned with what bodies such as departments of health and welfare and the Unemployment Insurance Commission are doing. Municipal governments are of minor importance, their taxation and regulation of company properties being the largest effect.

#### Evaluation of Scanning Effectiveness

There was not complete satisfaction in this company with their ability to gather important information about government actions or potential actions. A complaint was that the information was often received too late for the company or industry to develop an appropriate response before the action was a fait accompli. Changes were being considered in the company and industry which might improve this situation.

While it was usually difficult to get detailed information on proposed government programs, on occasion it was possible to get some advance notice, usually through informal, personal contacts, on the general shape of such programs and this could be valuable.

One problem mentioned was the vast quantities



of information turned out by governments (and others). The timeliness aspect of the information has already been noted; the sheer volume in itself creates difficulties in sorting, classifying and analyzing. It may be impossible or impractical to process such large quantities of information. In general, the problem was less in obtaining the information than in obtaining it early enough to make the most effective responses.

Another difficulty encountered, when seeking out information in a directed manner, was to find the right person within the government who would have it. Even if it were available, it was often time-consuming to locate it. This problem may be getting worse as the number and size of government agencies of importance to the industry increases.

## Dominion Dairies Limited

### General Information on the Company and Industry<sup>1</sup>

Dominion Dairies Limited (hereinafter referred to as DD) is a large processor and distributor of milk and other dairy products and a number of food specialty products. It operates throughout most of Ontario and Quebec. While there is a fairly large number of firms in the dairy industry, the number has declined in recent years and the industry is increasingly dominated by a few large companies. DD is one of the largest of these with sales in fiscal 1973 exceeding \$97 million. DD or its predecessor companies have been operating in Canada for almost fifty years. It is now a subsidiary of a large U.S.-based firm, Kraftco Corporation (1973 sales \$3.6 billion; number 31 on Fortune magazine's "500" list).

There is a considerable amount of government involvement in the dairy industry. There are undoubtedly a number of reasons for this but two major ones come immediately to mind. As an important (some might say

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<sup>1</sup>Sources of information for this section include the following: Dominion Dairies Limited, Annual Report 1973, for the year ended December 29, 1973; Fortune, May 1974; M. M. Veeman and T. S. Veeman, "The Impact of Federal Dairy Policies and Provincial Milk Boards on Canadian Consumers," report prepared for the Canadian Consumer Council, April 1974.

essential) nutrient for humans, especially children, milk can be regarded as a basic necessity and of obvious interest to a government concerned about the welfare of its citizens. In addition, since milk is a major agricultural product, the traditional importance and influence of the farm sector's relations with government, as well as the size of the dairying industry, would indicate a considerable governmental interest in the industry. In common with most other food and beverage industries, dairies are also subject to a wide variety of health and sanitation regulations.

Milk boards of one form or another control or affect significantly the marketing of milk in almost all provinces. The Ontario practice, while not necessarily typical of the Canadian scene, can be used as an example. The Ontario Milk Marketing Board, which represents the producers (i.e., farmers), has power over the marketing of all milk produced in Ontario. All milk is sold (although not physically handled) through this agency and it sets the prices paid by processors. It also controls production through limiting entry and a quota system. The board performs other functions as well, such as promotion and market development for milk and dairy products, but it seems clear that its prime raison d'etre is to control supply and prices. The board has control over both fluid and industrial milk marketing, but there

are some differences in the way they are handled and the latter commands a considerably lower price. Federal agencies have had greater involvement in the industrial milk area through various support and subsidy programs. The federal government has also been involved in fluid milk operations, although more indirectly; a recent example is the temporary subsidy introduced in 1973.

Thus the cost of the processors' major raw material is set by a monopoly agency which, although not a governmental body, derives its authority from government legislation. On the other side, while their selling price is not so controlled, it can be affected by actions such as the above-noted subsidy.

The structure of the industry with respect to distribution channels has also changed in recent years. Home delivery has declined greatly and the bulk of the processors' sales are now made to retail outlets, primarily supermarket chains and jug milk stores (many of the latter are controlled by processors). This means that a small number of buyers, probably not much more than half a dozen, account for by far the largest proportion of industry sales. While switching of suppliers does not appear to be too common, this situation ensures that no processor can permit his prices to get much out of line with those of his competitors.

Scanning Activities - Formal and Informal

DD does not have a formal scanning system. This does not mean that they are not concerned with learning about environmental influences affecting the company's operations but rather that they rely on less structured methods of acquiring information. Several executives were involved in activities related to important outside areas and they gathered information about these areas as they performed their other duties. Because scanning was not considered a separate activity, it was difficult to obtain estimates of the amount of time spent on it. One senior executive said he spent no time--all necessary information-seeking was done for him by others. Others spent varying proportions of their time, over one-half in one instance, in contact with various government and industry bodies and some of this could certainly be classed as information-gathering time, although the amount was uncertain.

Industry associations were considered to be a major source of information, both in quantity and importance, and so, to a slightly lesser extent, were governmental and quasi-governmental bodies dealing with the dairy industry. Informal networks of personal contacts were considered very important by some, less so by others. In the latter case, however, there was a great deal of contact with other people in the industry.

and government at the frequent meetings of the various bodies mentioned above or of their committees. In this situation it is difficult to define the source--whether the associations, etc. themselves or the contacts which were created and maintained by frequent interaction at association or other meetings. Other sources mentioned were firms retained by the company for specialized services--legal counsel and advertising agencies in particular--and, to a relatively minor extent, journals and other periodicals, both general and specialized, and publications of government and industry groups. There was also a good deal of information on operations generated by other departments within the company.

As might be expected, executives at more senior levels considered a greater proportion of the information which they received to be of strategic importance, as compared to lower level managers.

With some exceptions, civil servants and other officials in government and related agencies were considered to be accessible to people seeking information and relations were generally adequate. Contact with political representatives was more difficult and infrequent.

#### Government Effects on Company

Respondents considered their industry to be among the most highly regulated in Canada. Some considered

that it was more regulated even than public utility companies, although others put it perhaps slightly lower than these, and certainly more affected than almost any manufacturing industry. This high level of government interest was considered to arise from their product's position as an important basic foodstuff and one in which consumers (and voters) took considerable interest with respect to price and quality. Regulations dealing with sanitation and quality of food products are widespread but it was considered that those for milk and its related products were more numerous and/or stringent than for most other foods.

There were some differences in the effects considered most important on the company. Taxation was regarded as most important by senior executives while the many regulations, of many types, were seen as more important by lower level managers. Perhaps those in operating positions are closer to the regulations in their day-to-day activities while those in general management are better able to see the impact of taxation on overall corporate success.

In addition to the product-quality type of regulation noted above and the controlled price system for raw materials referred to earlier, there are a number of other regulated areas of importance to the company. Because their processing operations generate

a considerable quantity of waste materials, disposal of these is a problem and pollution control regulations have their impact. On the marketing side, actual or proposed requirements for packaging affecting such things as size, labelling, and control of disposable containers have been of importance.

While prices are closely controlled on the supply side of the industry, it has been relatively free to set its selling prices subject to the aforementioned competitive pressures. However, consumer sensitivity to price may have its effect in this area and the recent federal subsidy actions may be a sign of greater interest in this area.

There were differences of opinion on which level of government had the greatest effect. While most of the direct regulation has been at the provincial level, the federal government's role in taxation has been important and its relative importance in other areas is also increasing. While of generally lesser importance, municipal governments have significant effects reflecting their responsibilities in the health and waste disposal areas.

The general level of economic activity is perhaps less important to this industry than to many, at least for its basic milk products, since the need for and probably consumption of milk continues at a more or less



uniform pace. Inflationary forces, however, have their impact on operating costs in this industry as they do in most others.

#### Evaluation of Scanning Effectiveness

Respondents generally considered that they received information about proposed government actions of interest to them fairly early, usually before legislation was enacted. Moreover, the various associations and agencies related to the industry provided a forum for consultation and in which they could make their points of view known to the interested parties. However, despite these opportunities, there was a feeling that many government actions were essentially decided long before the legislation stage and that, while different views were listened to, they did not appear to have a great effect. While some details might be changed, the basic intent was difficult to alter.

Also, this industry was not immune to post hoc government action. A non-returnable milk jug introduced by DD has been banned by the Ontario government after its introduction because of environmental considerations, although there had been no prohibitions in effect when it was first used.

In general, it was felt that the company's information-gathering worked as well and obtained as much information as could reasonably be expected. There

were no plans to make any significant changes in the method of operation.

## Supreme Furniture and Appliances Ltd.<sup>1</sup>

### General Information on the Company and Industry<sup>2</sup>

Supreme Furniture and Appliances (hereinafter referred to as Supreme) is a multi-outlet furniture and appliance retailer operating stores in several cities in eastern Canada. Its annual sales revenues exceed \$15 million. Furniture and appliance retailing is characterized by a large number of relatively small operators and Supreme's volume, which would not be considered large in many industries, ranks it among the larger firms in this sector. Sales by Canadian furniture, TV, and appliance stores were almost \$1.2 billion in 1973 and no one firm accounted for more than a small percentage of this total. This figure understates the total sales in this area since it does not include those of other types of outlets, such as department stores, which carry furniture and appliances and hence compete in the same market. Supreme has been in existence for a considerable number of years and its beginnings were typical of many

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<sup>1</sup>The name of the company has been disguised to protect the anonymity of the respondents.

<sup>2</sup>Some of the information on the company and industry has been altered to protect identities. Primary sources of information were interviews with company personnel and Statistics Canada, Retail Trade, Catalogue 63-005 monthly (Ottawa: Information Canada, various dates, 1959 to 1974).

firms in the industry which originated as small individual or family-owned enterprises. The number of shareholders is still relatively small. It is generally regarded in the industry as a progressive, innovative firm.

Government involvement in the retailing sector is often considered to be lower than in many other fields. This may be because concentration is still low in many parts of retailing--with many small firms selling similar products it approaches the pure competition model more closely than many industries--and government assumes that competitive factors will ensure that the consumer interest is well-looked after. While general actions of government, e.g., income taxation, affect retailers along with everyone else, there appear to be fewer direct actions aimed specifically at this sector.

#### Scanning Activities - Formal and Informal

Supreme does not have any formal system for gathering information about its environment. While it is interested in the habits and desires of its customer groups, in the general category of market research, it is not greatly concerned about gathering information about its environment in general or about government actions in particular. This is not to say that it does nothing in this area but, compared to the other firms studied, the effort is relatively low.

Sources which are used are associations of manufacturers which supply them and associations of retailers to which they belong, but the amount of information received is quite small. The amount of time spent by executives in scanning activities was very low.

#### Government Effects on Company and Industry

Respondents agreed that their industry was among the least affected by government actions and could not think of any which were less regulated. This was attributed to the large number of firms, many of them small and only marginally (or less) profitable, resulting in strong competition and hence little need for any control. They believed that the industry may become more concentrated in the next decade, with perhaps half a dozen firms having the bulk of the market. In the five years from 1969 to 1974, the share of furniture, TV, and appliance store sales in Canada accounted for by independent stores declined from 82.9 to 80.8 per cent. In Ontario the trend was more marked with the independents' share declining from 81.4 to 73.7 per cent over the same period.

There were, of course, some types of government actions which had an effect on Supreme. In general, the municipal and provincial levels of government were considered to be of more concern than the federal.

Federal effects were mainly taxation (admittedly an important effect) and, more recently, consumer protection legislation. The latter was not considered of great importance since they believed their normal policies were at least as helpful to the consumer as those embodied in legislation. Provincial governments affected their operations through labour legislation. Because of the long hours of operation characteristic of the industry and traditional working practices which had evolved, it was felt that some requirements of labour legislation were unrealistic and inappropriate for their situation.

Because of the extensive premises which these retailers have, municipal government effects are of major importance. Property taxation and zoning regulations have considerable effect on their operations. As well as the direct costs resulting from these, a major problem was the difficulty and delays encountered in obtaining the various permits and licences required, especially for new stores.

The general level of economic activity was considered to have had some effect, but was not of critical concern. Inflationary trends were regarded as relatively unimportant to their customers as long as their price increases did not change their relative position and if large, sudden increases were avoided. Of more concern, with respect to new store development,

was the impact of inflation on construction costs.

They believed that variations in levels of unemployment and disposable income had some effect, but that this was minor compared with their effect on many industries.

#### Evaluation of Scanning Effectiveness

Given the low level of any activity in this company which could be called environmental scanning, an evaluation of effectiveness may be superfluous. However, a few general comments may be useful.

Supreme did not receive many surprises in governmental action; the areas where they were affected were not those where sudden or unpredictable changes seemed likely. Because of the many and mainly small firms in the industry, no one firm was large enough to be a powerful force in influencing governments. In addition, because of the fierce competition prevailing, it would be difficult to mount cooperative efforts to this end. As a result, the industry was seen to have little influence. In this situation, their attitude seemed to be: why should they bother to devote much effort to what governments were doing because, even if they were aware of expected actions, they did not believe they could affect them anyway. If, however, the industry does become more concentrated, this situation may be altered.

Additional Comments on Field Studies

There were a number of matters which came up during the field interviews which, while perhaps less directly related to the main thrust of this study, were interesting enough to warrant a brief comment.

The major focus of the study was on information flows from and about governments to company executives; it must be remembered, however, that information flows in both directions. Some of the flow from business to government is in response to government actions or proposed actions and is part of the effort to influence those actions. Another portion is the information which government requires from business to satisfy its own need or desire for information, including such things as the wide variety of data collected by agencies like Statistics Canada and the information which companies are required to disclose for various taxation and regulatory purposes. More than one executive mentioned that the amount of work, and hence the cost, required to meet these latter needs had become a significant burden on their companies, involving a considerable amount of staff time. This burden has increased in recent years and, of major concern, no real usefulness was seen in much of the data which was required. It appeared to some respondents that governments were either collecting information which was of little value, or at least not



worth the effort, or were unable to provide enough explanation or justification to the suppliers of the information to convince them of the value of collecting it.

While personal contacts of varying types were regarded as an important source of information, there was some caution expressed with respect to their use. Often discretion was required to protect the source and care was needed to not over-use some of them, i.e., some key contacts would only be used on major matters. There were differences of opinion on the value of an "old-boy network"; some held that it was still of major importance while others felt that it was much less important than in the past. Finally, there was some concern expressed about the propriety of using personal contacts for gathering information not otherwise available, indicating that at least some Canadian executives are perhaps uncomfortable with the idea of lobbying or attempting to exert influence on government action.

#### Summary and Conclusions: Phase I

In only one of the companies studied was there a formalized system for scanning the environment (one of the others had made a small effort in this direction). Even in the company with the formal system, it seemed

largely restricted to scanning published material. Informal personal contacts were regarded as being at least as important as the formal system and probably more so; especially so when seeking information on specific items. In general, personal contacts seemed to be more important sources of information than impersonal or formalized sources. This is consistent with the findings of others.<sup>1</sup>

Industry or trade associations in general were regarded as a source for a large volume of material, but this was often routine material and statistical data which, while often important and necessary to operations, was not usually regarded as being relevant to strategic considerations. In one firm where associations and other organizations were given as major sources, it appeared that in fact the major contribution of these groups was in providing a setting and opportunity for informal contacts through which most of the key information was received. Their importance seemed to be largely in providing opportunities for personal contact. At least one of the insurance associations took this a little further and maintained a list of individuals in its member companies who could be contacted when seeking information on specific issues. Other groups, including

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<sup>1</sup>Aguilar, p. 94; Henry Mintzberg, The Nature of Managerial Work (New York: Harper & Row, 1973), p. 70.

government agencies, often held meetings and committee sessions attended by representatives of business, government, and others which also provided an opportunity for less formal contacts to be made and maintained.

Industry associations offered obvious economies on reducing duplication of effort for some information-gathering activities of common interest and sometimes the scope of their efforts would not have been possible for individual firms. However, because of the competitive conditions in many industries, it appeared unlikely that association activities would go beyond the large-volume and relatively routine information-gathering tasks and the provision of convenient gatherings for less formal exchanges. One respondent expressed the view that associations should play a more important role but did not expect this to come about in the near future.

There was difficulty in obtaining estimates of the time spent in information-gathering from the interviewees. Answers ranged from "all the time-- information-handling is the essence of my job" to "very little." Similar difficulties were encountered in estimating the amount of effort paid to the government sector. This seemed to be because their scanning habits were not considered as a separate activity, but were closely intermingled with their other tasks.

Executives in line positions and those of higher

rank generally considered a higher proportion of the information which they received to be of strategic importance and it was more often the result of directed search than was the case with staff or lower-ranking managers. This was very likely because their subordinates or staff departments had performed some of the general scanning and had screened out some of the routine material--in effect selecting and concentrating the material to that which was considered to be of importance to the executive.

Regulation and taxation were the governmental functional areas most often mentioned as being of importance in their effects on the companies, but the regulations were of many different types. In general, the firms more highly affected by government were more concerned about information--the furniture retailer, at the low end of the effect scale, did virtually nothing. The original estimates of the ranking of these firms with respect to the amount of government effect on their industries, which had been made prior to the interviews, agreed generally with the respondents' own views of themselves, although the difference between the insurance company and the dairy was not clear-cut. One type of government effect, which was not included in the list of government functions described in chapter I, but which

was mentioned by several people as being of some importance (though none ranked it as number one), was government's influence on the general level of economic activity, and the effect of this on their businesses. This is a somewhat less direct way of affecting firms and is less selective in its impact than some of the others. The extent of its impact does vary from industry to industry.

The respondents were, for the most part, satisfied with their current information-gathering methods. When questioned in a less direct manner, they did admit to a few surprises which they had had or that government action plans often seemed to be, if not completely committed, at least well-advanced before they could respond. There was some feeling that perhaps little could be done even if the necessary information were obtained earlier.

With respect to the ease of access to government officials and politicians, most respondents found them generally fairly accessible. One problem which was mentioned more than once was the difficulty in knowing who was the appropriate person to seek out, and this often resulted in considerable wasted time.

In general, the phase I research found little evidence that the hypotheses presented at the end of chapter II were incorrect. With the limited sample used in this phase of

the study they could not, of course, be said to be proved.

At the risk of some loss of generality, the hypotheses have been restructured in a somewhat narrower fashion to render them more susceptible to testing in phase II of the study. The refined hypotheses are as follows:

1. Most business firms in Canada do not have a formal system for monitoring their environment and gathering information on future developments likely to affect them
2. Among those firms which do have such a system, the government sector of their environment does not receive a large proportion of the scanning effort
3. Business firms' awareness of government actions tends to come relatively late in the government's action-development process, when it is more difficult to influence the action
4. Firms in industries which have a high degree of government planning and control will devote more effort to governmental scanning than those in less-regulated industries; however, the information sought will be more concerned with routine matters than with strategic factors.

## CHAPTER V

### COMPANY RESEARCH: PHASE II

#### THE QUESTIONNAIRE SURVEY

##### The Sample

The purposes of this study, as stated on p. 4, included the exploration into and description of the scanning activities of Canadian business firms and the testing of some general hypotheses relating to these activities. The initial phase of the field research, described in chapter IV, provided some clarification of the scanning picture and hypotheses and also some direction for the conduct of the second phase, the questionnaire survey of a larger sample of Canadian companies. The first step in this phase was the selection of an appropriate sample.

Ideally, the sample would be representative of all areas of Canadian business activity to give the broadest and most complete picture of the scanning activities currently practised. Practically, of course, it was necessary to restrict the number of firms studied to enable the work to be completed within reasonable limits of time and expense. To aid in the selection of a practical sample, yet one which would contribute to a

meaningful study, the following general criteria were established:

1. The sample firms' business activities should represent a significant part of Canadian economic activity
2. The sample firms' activities should represent a reasonable variety of types of business activities in Canada
3. The sample should be readily accessible

Using these criteria as a guide, the sample selected for this phase of the study consisted of the firms included in the Financial Post's annual listing of the largest firms in Canada.<sup>1</sup>

#### Description of Sample: Advantages and Limitations

The Financial Post compiles and publishes annually lists of the one hundred largest manufacturing, resource, and utility firms; the ten largest merchandisers; and the twenty-five largest financial firms operating in Canada. The lists used for this study were those published in the issue of 3 August 1974 and reflect the latest available results for the fiscal year ended nearest to 31 December 1973. A copy of the lists is included in Appendix A. The following comments relate this sample to the criteria noted above;

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<sup>1</sup>Financial Post, 3 August 1974, p. 9.



Criterion 1. The total 1973 sales revenues of the one hundred manufacturing, resource, and utility firms were \$52.3 billion, and of the ten merchandisers \$10.8 billion. Total assets of the twenty-five financial firms were \$103.7 billion. To put these figures into some perspective, total sales of industrial corporations in Canada in 1973 were \$151.7 billion<sup>1</sup> and Canadian gross national product in the same year was \$118.9 billion.<sup>2</sup> Comparison with GNP may be somewhat misleading because of duplication; value added by firms may be a more appropriate measure than sales revenues. Value added figures for the sample firms were not readily available but it seems reasonable to assume that, at least for manufacturing firms, they will not deviate too greatly from the forty-five to fifty per cent of shipment values typical of Canadian manufacturing industry in general.<sup>3</sup> Different comparisons with various sets of figures could be made; it seems clear that by any measure the firms on this list do play a very large role in Canadian economic

<sup>1</sup> Statistics Canada, Industrial Corporations: Financial Statistics, Second Quarter 1974, Catalogue 61-003 Quarterly. (Ottawa, Information Canada, October 1974), p. 39.

<sup>2</sup> Canadian Imperial Bank of Commerce, Commercial Letter (Toronto: September/October 1974).

<sup>3</sup> Statistics Canada, General Review of the Manufacturing Industries of Canada, Vol. I, Industries by Province, 1971, Catalogue 31-203 Annual (Ottawa: Information Canada, December 1973), p. 10.

activity, certainly disproportionately large relative to their number.

Criterion 2. The list of manufacturing, resource, and utility firms; together with the supplementary lists of merchandisers and financial institutions, are representative of a wide variety of Canadian business firms. Because the lists are those of "largest firms," there tends to be overrepresentation of firms from concentrated industries; tobacco products, breweries, and motor vehicle manufacturers are well represented while many of the service industries, which tend to be characterized by many smaller enterprises, and such industries as clothing and furniture manufacturing are largely omitted.<sup>1</sup> This deficiency was not considered to be a serious drawback since a wide variety of types of firms was included in the sample.

Criterion 3. Names, addresses, and other details of these firms, as well as the names and titles of senior officers and executives, are readily available from various published sources. As a result, it is relatively easy to determine appropriate access points to the firms.

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<sup>1</sup>See, for example, data on concentration in Canadian industries in Table 17.17, Canada Year Book 1973 (Ottawa: Information Canada, 1973), p. 727.

In general, the sample chosen met the criteria well. The only deficiency seemed to be the limitation on the variety of types of business included, as noted above with respect to criterion 2. Since the sample was representative of a considerable variety of business, this deficiency was considered to be of lesser importance, and especially since the other two criteria were well met, it was concluded that this sample was well suited to the purposes of this study.

Another possible limitation of the sample was the fact that it was, by its very nature, composed only of large firms. The effects of this on the variety of types of activity have already been discussed; it may also be that large firms differ from small even within the same industry. However, since this study was concerned with exploration of actual information-gathering practices of firms, and since it was believed that larger firms were more likely to have some form of organized scanning activity, it was considered that for a beginning study of this area this characteristic of the sample could actually be an advantage rather than a drawback.

Finally, the lists are not one hundred per cent complete even by the criterion of size. Some major Canadian companies which should be included-- the T. Eaton Company and Irving Oil are perhaps obvious examples--are

missing for various reasons. Some provincially-chartered private companies were not yet required to make disclosures of financial information and other companies have been late in meeting disclosure filing deadlines. A few have been excluded because of the Financial Post's own criteria for the list; for example, John Deere Ltd. manufactures less than half of its sales in Canada and is excluded.

These omissions, while detracting from the completeness of the lists, were not considered to seriously harm the sample. Firstly, they were relatively few, and secondly, there seemed to be no reason to assume any relationship between the reasons for the omission of firms from the lists and their information-gathering activities; i.e., for the purposes of this study, the omissions were assumed as randomly occurring.

In summary, the sample provided by the Financial Post listings was considered to be suitable for this study and phase II of the research was conducted using this sample.

### The Questionnaire

The questionnaire to be used in the study was developed in two parts. Since it was believed that the majority of firms would not have a formal information-gathering system, to obtain a reasonably complete picture of scanning behaviour in Canadian firms it was considered

necessary to determine how company executives acquired their necessary information without such a system. It was expected that a questionnaire dealing just with formalized systems would be applicable to only a small proportion of the firms in the sample.

As a result, the first questionnaire (part A) circulated was directed to learning how an individual executive in the firm gathered his information--how he scanned his environment. The questionnaire was directed to the president of each company with the request that he or another senior executive complete it. The questionnaire dealt with the personal scanning habits of the respondent. One of the questions asked if the firm had a formal information-gathering unit; only if the answer to this question was "yes" was the second questionnaire (part B) sent to this unit for completion. Copies of the questionnaire are included in Appendices B and C.

The completed A parts, then, provided information on the scanning habits of one particular senior executive in each firm to give a picture of the methods used by managers where there was no information unit or, if there were, of the methods used in addition to the formal system. An obvious limitation to this approach is that the respondent's practices may not be typical of those generally followed by executives in his company. To

avoid this limitation, an alternative approach would have been to query a larger number of respondents in each company. Given the practical constraints on the research effort and the possibly greater reluctance of respondents to devote too much valuable managerial time to completing questionnaires, it was decided that the effects of this limitation would not be serious and that they were outweighed in any case by the advantages of obtaining responses from a greater variety of firms.

Part A (see Appendix B) requested information on the respondent's practices in gathering information about his firm's environment. It included questions on the amount of time spent, the type of information sought and the sources and methods used, and the effectiveness of the scanning effort. In addition, it asked about the extent of government effects on the firm and the type of government actions which had the greatest effects. It also asked if the firm had an individual or unit with formal responsibility for scanning the external environment.

Part B (see Appendix C) was sent only to those firms which had such a unit. In addition to a brief description of the unit, it asked questions about sources, methods, etc. similar to those asked of individual executives in part A. The questions about governmental

effects on the firm were not included in part B.

The questionnaires were pre-tested in interviews with senior executives of four of the companies prior to the general mailing. A few minor modifications to the questions were made as a result of the pre-test but the questionnaire was not substantially altered. Considerable effort was devoted to making the questionnaires as simple and quick as possible to complete, while still providing the desired information, in order to minimize the time required of the respondents; a number of the questions could be answered with a check mark or with a single number. It was believed that this was necessary to ensure an adequate response from the busy senior executives who were the targets of the questionnaires.

The questionnaires (part A) were mailed to the presidents of the sample firms in mid-August 1974. An accompanying letter explained briefly the purpose of the research study. A follow-up letter was sent in late September, to those who had not responded by that time. On receipt of the completed part A, part B of the questionnaire was sent to those firms stating that they had an information unit.

#### The Response

The part A questionnaire was circulated to 133 firms--the 135 on the three Financial Post lists less

the two which participated in phase I of the study (but including the four interviewed in the questionnaire pre-test). In the following description of the responses, the figures for each of the three individual lists, i.e., the manufacturing, resource, and utility firms; the merchandisers; and the financial institutions, are shown in parentheses following the figure for the total sample where the additional breakdown appears desirable, e.g., the total sample size was 133 (99, 10, 24).

Completed A parts were returned by 67 firms (51, 4, 12), or 50.4% (52%, 40%, 50%) of the sample. In addition, 18 firms sent letters stating that they would not complete the questionnaire and an additional 9 replied with a brief letter or inquiry but did not complete the questionnaire. Some communication was thus received from 94 firms or 70.7% of the total sample. Of the 67 completed returns, 27 (22, 1, 4) answered question no. 14 with a "yes," i.e., they did have an individual or unit with responsibility for scanning the firm's environment. Of these 27 firms, 18 (14, 1, 3) or 67% (64%, 100%, 75%) completed and returned part B of the questionnaire. A summary breakdown of the responses is shown in Table 1.

The questionnaires were directed to the presidents of the firms with the request that they be completed by him or by another senior executive. Of the sixty-seven



TABLE 1

## BREAKDOWN OF RESPONSES TO QUESTIONNAIRE SURVEY

	MANUFACTURING RESOURCE, AND UTILITY FIRMS	MERCHANDISERS	FINANCIAL INSTITUTIONS	TOTAL
NO. OF FIRMS IN SAMPLE . . . . .	99	10	24	133
COMPLETED PART A - NUMBER . . . . .	51	4	12	67
- % . . . . .	52%	40%	50%	50.4%
ANSWERED QUESTION 14 "YES" (had information unit) - NUMBER . . . . .	22	1	4	27
- % OF RESPONDING FIRMS . . . . .	43%	25%	33%	40.3%
COMPLETED PART B . . . . .	14	1	3	18

responses received to part A, twenty-seven were completed by executives with the title of chairman, president, or chief executive. An additional twenty-two were completed by vice-presidents of various types. Thus almost three-quarters (73%) of the responses were made by managers at the vice-presidential level or above. If we include those with the titles of secretary, treasurer, or comptroller, then almost eighty per cent of the responses were made by senior executives of the firms. The remainder of the respondents (21%) were managers, directors, or supervisors of various categories or were unclassified. Table 2 shows a breakdown of all respondents by job title and functional area. Tables 3, 4 and 5 give the same breakdown for each of the three categories of firms in the sample lists.

In general, this response was considered quite satisfactory from the point of view both of total response--slightly over fifty per cent--and of the job level of the respondents--almost eighty per cent were senior executives of their firms. Of those firms which wrote letters declining to participate, the most common reason given was that they received so many questionnaires on various subjects, the completion of which would be very costly in terms of managerial time, that they had made a general policy of not answering such requests. From comments made by some respondents, it appeared that



TABLE 3 - RESPONDENTS CLASSIFIED BY JOB TITLE AND FUNCTIONAL AREA

MANUFACTURING, RESOURCE, AND UTILITY FIRMS

JOB TITLE	FUNCTIONAL AREA									
	General Management	Government Affairs	Corporate Affairs	Public Affairs	Public Relations Communications	Finance	Treasury Accounting	Secretary Counsel	Miscellaneous & Unclassified	TOTAL
Chairman President CEO	20									20
Vice-President	1		2	2	3	2	3	3	4	15
Secretary, Treasurer, Sec-Tr, Comptroller						2	2	2		4
Executive Ass't to President or Vice-Pres.									2	2
Other (various managers, directors supervisors, etc.)					2		1		2	5
Unclassified									5	5
TOTAL -	21		2	4	6		5	13	51	

TABLE 4 - RESPONDENTS CLASSIFIED BY JOB TITLE AND FUNCTIONAL AREA

MERCHANDISING FIRMS

JOB TITLE	FUNCTIONAL AREA									
	General Management	Government Affairs	Corporate Affairs	Public Affairs Relations	Finance Communications	Treasury Accounting	Secretary Counsel	Miscellaneous	Unclassified	TOTAL
Chairman President CEO	2									2
Vice-President					1					1
Secretary, Treasurer, Sec-Tr, Comptroller										
Executive Ass't to President or Vice-Pres.										
Other (various managers, directors supervisors, etc.)								1		1
Unclassified										
TOTAL -	2					1				4

TABLE 5 - RESPONDENTS CLASSIFIED BY JOB TITLE AND FUNCTIONAL AREA

## FINANCIAL INSTITUTIONS

FUNCTIONAL AREA	JOB TITLE										
		General Management	Government Affairs	Corporate Affairs	Public Affairs	Public Relations Communication	Finance	Treasury Accounting	Secretary Counsel	Miscellaneous & Unclassified	TOTAL
	Chairman President CEO	5									5
	Vice-President	1	1		1				1	2	6
	Secretary, Treasurer, Sec-Tr, Comptroller										
	Executive Ass't to President or Vice-Pres.										
	Other (various managers, directors, supervisors, etc.)										
	Unclassified									1	1
	TOTAL -	6	1			1			1	3	12

the area of governmental effects on business was of considerable interest and concern to them. Several respondents requested the researcher to come in and complete the questionnaire in a personal interview rather than rely completely on the printed form.

#### Other Factors

Consideration was given to a number of potential biases in the research. As noted earlier, the sample was confined to large firms but this limitation, while reducing the generality of the findings, was not seen as a serious drawback. The non-response bias was also considered to be of minor significance. The response rate of over fifty per cent was good for a questionnaire of this length and a number of firms who sent letters in reply, but who did not complete the questionnaire, indicated reasons which were not related to the area of study.

With respect to the questionnaire itself, some of the questions were difficult for the respondents to answer with great accuracy (this is discussed further in a later section). While this could have obvious effects on the precision of the findings, it was not expected to bias them in any particular direction. In addition, the acquisition of knowledge about a firm's environment for use in decision-making, is likely to be

considered a desirable activity which the respondents should engage in, and this might be expected, to some extent, to elicit response values higher than actual. Given the method of data-collection, the possibility of this bias could not be eliminated, but the risk was not considered to be excessive. Firstly, the relative level of the response would not be expected to change even if this bias did exist and, secondly, the respondents were largely competent senior executives who, while certainly not likely free of prejudices of various kinds, were expected to be able to take a reasonably realistic view of their activities.

The timing of the survey could have had an effect on some of the responses. A federal election had been held shortly before the collection of the data and it is possible that the attendant publicity and activity could have raised the level of awareness with respect to government actions and political activity above that at other times. Again, this was not considered likely to distort most responses to any significant degree and in fact, if the awareness was increased, could even have led to more thoughtful responses.

In summary, while a number of possible biases did exist, none of these was considered likely to seriously ~~impair~~ the findings of the research.

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With respect to the analysis of the data collected, in general, rigorous statistical methods have not been applied. In many instances, the nature of the data did not lend itself to such methods. More importantly, as stated in the introduction, the research was largely exploratory and descriptive and sought to discover some of the dimensions of environmental scanning rather than rigorously testing hypotheses to a pre-set level of significance. Where appropriate, various non-parametric statistical tests have been applied to the data and the significance levels reported.

## Phase II Findings

### A. Hypotheses

#### Hypothesis 1

Hypothesis number one was stated as follows:

Most business firms in Canada do not have a formal system for monitoring their environment and gathering information on future developments likely to affect them

It was recognized at the beginning of the study that all business firms and individual managers must receive information about their environments--consciously or unconsciously, in a directed or casual manner. The objective here was to discover if Canadian firms approached the task of gathering their information in a

systematic, organized manner or whether they relied on more casual, informal methods. It was desired to know if the sample firms had established a specific section, unit, department, group, etc. for the purpose of gathering environmental information, or had at least designated specific individuals or units to be responsible for this task, perhaps in addition to other assignments. In part A of the questionnaire, question no. 14 asked if the responding firm had ". . . an individual or unit . . . [with] formal responsibility (full or part time) for scanning the external environment?"

Of the sixty-seven firms which responded to part A of the questionnaire, twenty-seven (40.3%) answered question no. 14 affirmatively. Two other firms were planning to establish scanning units or to designate certain personnel for scanning responsibilities but the plans were not finalized at the time of the study.

Eighteen of these twenty-seven firms (66.7%) completed and returned part B of the questionnaire. Some of the characteristics of these eighteen scanning organizations are described in the following paragraphs.<sup>1</sup> Because of

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<sup>1</sup>In this and other sections summarizing responses, the numbers shown do not always add to the total number of questionnaires returned. This discrepancy arises because not all respondents answered every question.

the relatively small number of responses to part B, it was not considered useful to describe separately the three groups in the sample. The responses of the two smaller groups (one merchandiser, three financial institutions) did not deviate markedly from the overall pattern.

As might be expected, there was considerable diversity among the firms in the scope of scanning operations. One contributing factor to this is undoubtedly methodological--the difficulties first, in achieving a consistent point-of-view among the respondents on just what constitutes a scanning or information-gathering activity, and second, in their being able to isolate the nature and extent of this activity when it is intermixed with other tasks. However, the diversity will also reflect the interest in and approach to scanning of the different firms.

Several firms had information units of long standing. Out of fifteen firms, six had had a unit for ten or more years. At the other end of the scale, three firms had had a unit for less than two years.

The number of personnel involved in information-gathering activities varied considerably. Table 6 summarizes the magnitude of the resources devoted to information-gathering units, as measured by personnel

TABLE 6

CHARACTERISTICS OF INFORMATION UNITS  
FIRMS RESPONDING TO QUESTIONNAIRE B

INFORMATION-GATHERING EFFORT			
	NUMBER OF PEOPLE INVOLVED (full and part-time)	NUMBER OF MAN-DAYS PER YEAR	EQUIVALENT FULL-TIME PERSONNEL*
RANGE . . . . .	1-25	24-2000	0.1-8.5
AVERAGE . . . . .	9	543	2.3
MEDIAN . . . . .	6	350	1.5
NO. OF RESPONSES . . . .	17	15	15

\*Assuming 235 working  
days per year

time, reported by the responding firms. It is apparent from the differences between the number of people involved in information units and the number of equivalent full-time personnel that, even in those firms with a specifically-designated scanning responsibility, information-gathering is to a large extent a part-time assignment. With an average full-time equivalent personnel commitment of just over two people, it appears that, considering the sample consisted of the largest business firms in Canada, there is not a large commitment of human resources to a formal information-gathering effort.

This, of course, is not the full measure of the scanning effort. Individual executives spend part of their time scanning their environment and they were asked, in part A of the questionnaire, how much time they devoted to this activity. This is a very difficult question for a respondent to answer because scanning is often not done as a separate activity but is mixed in with or is a part of his other activities. In Aguilar's words,

It is difficult to isolate because it is so intimately involved in the overall decision-making process. It is difficult to analyse because it represents a basic behavioral aspect of everyday activity, and thus is not always done with the conscious awareness of the scanner.<sup>1</sup>

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<sup>1</sup>p. 18.

However, while recognizing the limitations imposed by this difficulty, it was believed that the responses would provide a reasonable approximation of the time which the executives consciously spent in information-gathering.

The executives who responded to part A of the questionnaire reported an average of 32 per cent of their time spent in scanning their environment. If it is assumed that they are more or less typical of other executives in their firms, this represents overall a great deal of valuable time; it suggests a considerably greater application of resources than that devoted to formal information-gathering units as reported above.

It might be conjectured that executives of firms which do have a formal information unit would need to spend less of their time in scanning, since the unit could do some of this work for them. However, this did not appear to be the case. Executives of firms with a unit averaged 39.6 per cent of their time in scanning compared with 26.6 per cent for those in other firms (the difference was significant at the .01 level using the Mann-Whitney test).<sup>1</sup> While it would be imprudent,

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<sup>1</sup>The Mann-Whitney and other tests used in later sections are described in many standard statistical texts, e.g., Sidney Siegel, Nonparametric Statistics for the Behavioral Sciences (New York: McGraw-Hill Book Co., 1956).

given the limitations noted above, to read too much into this difference, a couple of possible reasons for it come to mind. An executive with an interest in or a belief in the value of scanning seems likely to spend more time on it and, in addition, may be more likely to encourage the establishment of a unit within the firm to increase these effects. Conversely, an effective information unit may stimulate an executive to increase his own efforts in this area.

Another possible way to measure the importance of the information unit in the firm is to identify the position of the executive to whom it reports and the person who is in charge of it. In the eighteen reporting firms, nine units reported to the president or chief executive, three to vice-presidents, and the other six to various other managers. In seven instances, the person responsible for the unit was of vice-presidential rank. In seven cases (not the same seven), the title of the responsible manager included corporate or public affairs or public relations or a similar term. In only two was information services or a similar term used in the title, perhaps indicating that information-gathering was only one of the responsibilities assigned. In several instances, the responsibility for the unit was divided among two or more managers.

In summary, hypothesis number one was supported by the evidence obtained. The majority of responding firms (60%) do not have a specific individual or unit assigned to gathering information about the external environment. Even among those which do and which completed part B of the questionnaire (eighteen firms), the commitment of resources to this task, as measured by personnel time spent, is quite small; it is certainly small relative to the amount of time which executives individually devote to scanning. The majority of the units report to executives of senior rank but it appears that many of them have other responsibilities in addition to scanning. The top management interest may reflect the importance attributed to scanning but this is by no means clear.

#### Hypothesis 2

The second hypothesis was stated in the following terms:

Among those firms which do have such a [formal] system, the government sector of their environment does not receive a large proportion of the scanning effort.

The increasing importance of government as an influence in the business firm's environment was outlined in chapter I. The preliminary evidence discussed in chapter II indicated that, despite government's growing



role, many firms do not in fact devote much effort to discovering what it is doing that may affect the action options open to them.

As with responses concerning the total amount of scanning effort, there was a considerable range in the proportion of that effort devoted to government. Table 7 summarizes the extent of governmental scanning by firms' information units. While the total amount of government-scanning in absolute terms, as measured by full-time personnel equivalents, is rather small, in percentage terms it is relatively large, averaging over forty per cent. This is of the same order of magnitude as the government share of gross national product--not necessarily an appropriate criterion for determining the percentage of scanning effort to be devoted to the government sector but perhaps indicating that it is not grossly out of proportion.

As before, the information unit's activities are only part of the total scanning activity of the firm. Table 8 shows the time spent on government-sector scanning by the individual executives who responded to part A as a percentage both of their scanning time and of their total working time. The percentage of scanning time spent on the government sector by executives of firms with information units is similar to that spent by the units themselves (about 40% in both cases), but it is

TABLE 7

SCANNING EFFORTS DEVOTED TO GOVERNMENT SECTOR  
BY FIRM INFORMATION UNITS

	TOTAL SCANNING EFFORT (man-days/year)	PERCENTAGE OF EFFORT ON GOVERNMENT AREA	GOVERNMENT- SCANNING EFFORT (man-days/year)	FULL-TIME EQUIVALENT* (no. of personnel)
RANGE . . . . .	24-2000	10-90%	3-1210	0.01-5.1
AVERAGE . . . . .	543	44%	287	1.2
MEDIAN . . . . .	350	40%	170	0.7
NO. OF RESPONSES .	15	17	15	15

\*Assuming 235 working  
days per year

TABLE 8

TIME DEVOTED TO SCANNING GOVERNMENT  
SECTOR BY INDIVIDUAL EXECUTIVES

	Percentage of Total Scanning Time	Percentage of Working Time
Executives in firms with information units (27 responses)	44.8%	19.7%
Executives in firms without information units (38 responses)	33.7%	9.6%

a third larger than that for executives of firms without such units. The difference is more striking in the percentage of total working time spent on government-scanning--respondents from firms with information units spent more than twice as much time on government-scanning as their counterparts in other firms (significant at less than .01, Mann-Whitney test). This reflects both their greater apparent interest in government activities and the greater proportion of time (noted in the previous section) spent on scanning in general.

In conclusion, the second hypothesis was not supported by the evidence of this study. While the

effort devoted to scanning the government sector by information-gathering units is in most cases quite small considering the size of the sample firms, as a proportion of total scanning activity is appears to be consistent with the extent of the government role in the economy. This is also true for executives of firms which have information units; however, the proportion is somewhat lower for executives of other firms.

### Hypothesis 3

Hypothesis number three concerned the timing of information reception:

Business firms' awareness of government actions tends to come relatively late in the government's action-development process, when it is more difficult to influence the action

If information is to be useful to the manager in providing a basis for actions, it must be received early enough to ensure that the actions have at least some prospect of being successful. Early warning may be particularly crucial with respect to government activities since, as discussed in chapter II, actions by governments are often the result of long and complex development processes within the governmental structure. Commitments to certain actions are likely to be built up during this process and hence it will probably be more difficult to influence them at later stages. Receiving information

about them when the process is well along would seem to ensure that the businessman will face a difficult task in attempting to influence government measures.

To determine precisely when a firm received information on a government action and at what stage in the process of development of the action it was received is extremely difficult. First, with respect to most major actions, the information is likely to be received in bits and pieces over an extended period of time.

Second, to determine the stage of development at any particular time would require a detailed reconstruction of the development of a specific action. This approach was not practical with the sample used in this study.

To evaluate the timeliness of information received, the perceptions of the firms themselves were used; i.e., did they believe that they received information about government actions or proposed actions at an early enough stage that they could develop and implement appropriate and effective courses of action in response?

In part B of the questionnaire, firm information units were asked at what stage in the development of government actions--preliminary discussion, formalized discussion, proposed legislation, and enacted legislation--they generally became aware of those actions. Table 9 presents a summary of the responses (the enacted

TABLE 9

AWARENESS OF GOVERNMENT ACTIONS  
BY FIRM INFORMATION UNITS

STAGE IN DEVELOPMENT OF GOVERNMENT ACTIONS WHEN FIRM BECOMES AWARE OF ACTIONS AFFECTING IT			
Preliminary Discussion	Formal Discussion	Proposed Legislation	TOTAL
No. of responses . . . . .	5	3	4
Percentage of total . . . . .	42%	25%	33%
			100%

SINGLE RESPONSES ONLY  
(excluding 5 respondents  
who checked more than  
one category)

TOTAL RESPONSES  
(17 respondents)

No. of responses . . . . .	9	7	9	25
Percentage of total . . . . .	36%	28%	36%	100%

legislation category was omitted because there were no responses in it). Some of the respondents (5 of 17) indicated that their experience varied and checked more than one category. The table shows separately the single responses (omitting the 5 multiple choices) and the total number of responses (25 from 17 respondents).

The percentages in each category for the single and total responses did not vary greatly. In both cases one-third or slightly more did not become aware of government action until the proposed legislation stage. Well under half (42 and 36 per cent) became aware at the preliminary discussion stage. The balance, about one-quarter, became aware at the formalized discussion stage.

While the responses were spread across three categories, and the lines between categories cannot be sharply drawn, the fact that business firms may be unaware of government actions likely to affect them until they are at the proposed legislation stage is not encouraging. While changes in pending legislation are certainly made, there will almost always be some strong opposition to them at this point. Firms may not wish to oppose or alter all proposed government actions, of course, but it seems likely that they would like an input on many of them.

The responses from the individual executives were somewhat more promising. The question (no. 6a in part A) was phrased slightly differently from that in part B, to reflect their likely interest in the possibilities of appropriate action responses rather than the stages of the government process. The responses are presented in table 10. Since several respondents placed their replies as a mixture of the second or third categories or somewhere between them an additional column is shown in the table to reflect this classification.

A strong majority, two-thirds or more in all groups, considered that they learned of relevant government actions soon enough to develop an appropriate response. While the interpretation of what is an "appropriate response" is subject to the respondent's point-of-view, it seems clear that this majority believed that they could respond in some meaningful way to government actions. A few (7%) were aware of actions well before they were taken. However, there was still close to one-quarter (22%) who did not feel that they generally knew of actions soon enough, including 13 per cent who thought that they found out too late to do much. The responses from firms without information units appeared to indicate that they fared slightly better, but the small numbers in most of the categories preclude



TABLE 10

AWARENESS OF GOVERNMENT ACTIONS  
BY INDIVIDUAL EXECUTIVES

		WHEN DO THEY BECOME AWARE OF GOVERNMENT ACTIONS AFFECTING THEIR FIRMS?				TOTAL RESPONSES
DOES FIRM HAVE INFORMATION UNIT?		Well before action taken	Soon enough to respond appropriately	Mix of soon enough and too late	Too late to do much	
<u>YES</u>	No. of responses . . .	1	16	4	4	27
	Percentage of total . . .	4%	67%	15%	15%	
<u>NO</u>	No. of responses . . .	4	29	2	5	40
	Percentage of total . . .	10%	73%	5%	12%	
ALL RESPONSES . . . . .		5	47	6	9	67
Percentage of total . . . . .		7%	70%	9%	13%	

any firm conclusions on this.

Another question in part A was inserted to provide an additional measure of the timeliness of the executives' information. Question number 12 asked if the firm had had any "surprises" from government in the previous two years, i.e., any actions which were not expected. The responses to this question are summarized in table 11.

Just over half (52%) of the respondents said that they had had surprises, indicating a lack of advance knowledge on the government action (executives in firms with information unit indicated somewhat more surprises). This is considerably higher than the twenty-two per cent who, in answer to question 6, had said that they did not have information soon enough to respond. This difference could possibly be explained in two ways. First, even though they were surprised, they might still have been able to respond in some manner. Second, the number of surprises was not specified and it may have been a small proportion of total government actions; information might generally have been soon enough.

In summary, while the majority of respondents, both individual and from information units, had information "soon enough" or before the legislation stage, there were sizable groups which did not find out about government

TABLE 11

## SURPRISES (UNEXPECTED ACTIONS) FROM GOVERNMENT

DOES FIRM HAVE INFORMATION UNIT?	HAS FIRM HAD SURPRISES IN PAST TWO YEARS?		
	NO	YES	TOTAL
<u>YES</u>			
No. of responses	9	17	26
Percentage of total	35%	65%	100%
<u>NO</u>			
No. of responses	22	17	39
Percentage of total	56%	44%	100%
ALL RESPONSES	31	34	65
Percentage of total	48%	52%	100%

actions affecting them until these had reached the legislative stage or it was too late to do much in response. In addition, over half had had unexpected actions from government within the previous two years. The third hypothesis cannot then be convincingly supported with respect to the majority but it appears that it is true for a considerable portion of the Canadian business community.

#### Hypothesis 4

The fourth and final hypothesis was concerned with the effect of varying degrees of government involvement in an industry on the information-gathering activity:

Firms in industries which have a high degree of government planning and control will devote more effort to governmental scanning than those in less regulated industries; however, the information sought will be more concerned with routine matters than with strategic factors

The first requirement for testing this hypothesis was the establishment of a means of measuring the "degree of government planning and control" of an industry or at least of ranking industries in order of government effect. Because of the many diverse ways in which governments can affect business firms, the creation of an objective measuring system for the degree of government control would be extremely complex. It would require a measurement scale for each of the major ways of effecting control and a method of weighting these based on the relative importance of the particular type of effect. In addition, the appropriate relative weightings would probably vary among industries.

Because of these complexities and because in this study the primary interest was in the effects of government activities on firms, and if and how these activities affect the actions of the firms, a different approach was

adopted. It was considered that the behaviour of Canadian business firms and their managers is based on their perceptions of the environment rather than on its true state (it is not suggested that these perceptions and reality are greatly different). In other words, the behaviour of managers--their information-gathering behaviour being the immediate interest--will be based on what they believe the government to be doing and what it is actually doing (if this is not the same) is irrelevant. As a result, the measurement of the degree of government involvement in an industry used in this study was based on the respondents' opinions of the magnitude of government effect on their own industries. In addition, their opinions of the relative position of their industries with respect to others was considered.

Question no. 9 in part A asked the respondents to place their industries on a five-point scale of government effect, ranging from "greatly affected" to "very little affected." This self-rating was then compared with the extent of their information-gathering activities with respect to government and with the type of information which they received. The responses from this question are summarized in table 12 for firms with and without information-gathering units. Results are broken down by the three types of firms in the sample

TABLE 12

GOVERNMENT-SCANNING TIME AND EXTENT OF  
GOVERNMENT EFFECT ON FIRMS

EXTENT OF GOVERNMENT EFFECT ON FIRMS (AS SEEN BY RESPONDENTS)	AVERAGE PERCENTAGE OF WORKING TIME SPENT ON GOVERNMENT-SCANNING (No. of responses in parentheses)			
	Mfg. Res & Util	Merch	Finance	ALL RESPONSES
<b>FIRMS WITHOUT INFORMATION UNITS</b>				
Great . . . . .	12.3 (16)	5.0 (1)	8.5 (5)	11.1 (22)
Considerable . . . .	9.0 (6)	-	4.0 (2)	7.8 (8)
Moderate . . . . .	3.4 (5)	3.0 (1)	30.0 (1)	7.1 (7)
Very little . . . . .	8.0 (1)	-	-	8.0 (1)
TOTAL -	9.9 (28)	4.0 (2)	10.0 (8)	9.6 (38)
<b>FIRMS WITH INFORMATION UNITS</b>				
Great . . . . .	23.2 (13)	-	22.7 (3)	23.1 (16)
Considerable . . . .	18.4 (6)	17.5 (1)	7.0 (1)	16.9 (8)
Moderate . . . . .	9.5 (3)	-	-	9.5 (3)
Very little . . . . .	-	-	-	-
TOTAL -	20.0 (22)	17.5 (1)	18.8 (4)	19.7 (27)

listing (manufacturing, resource, and utility firms; merchandisers; and financial institutions). The "mildly affected" response was omitted from the table since no responses were received in this category. In general, there appears to be a pattern of increasing amount of time spent on government-scanning as the perceived extent of government involvement in the industry rises. This is true for both groups of firms shown, with the firms with information units indicating the generally higher proportion of time spent on government-scanning which was discussed in a previous section. These patterns, however, are not strong enough to warrant firm conclusions. The data were analysed using the Kruskal-Wallis one-way analysis of variance test. For all responses, the differences among categories were found to be significant at about the 0.3 level; for the two sub-groups (firms with and without information units), the results were even less significant.

Table 13 shows the time spent on government by firm information units by perceived government involvement categories. The same pattern appears here. (The "mildly" and "very little" effect categories were omitted in this table because none of the firms with information units were in these).

TABLE 13

GOVERNMENT-SCANNING EFFORT BY FIRM INFORMATION UNITS  
AND EXTENT OF GOVERNMENT EFFECT ON FIRMS

EXTENT OF GOVERNMENT EFFECT ON FIRMS (AS SEEN BY RESPONDENTS)	AVERAGE PERCENTAGE OF UNIT'S SCANNING EFFORT SPENT ON GOVERNMENT (No. of responses in parentheses)
Great . . . . .	53.2 (10)
Considerable . . . . .	38.0 (5)
Moderate . . . . .	11.1 (2)

The second part of hypothesis 4 dealt with the type of information which might be gathered; it postulated that, because of the likely loss of freedom to take alternative courses of action as the extent of government control increases, the proportion of information considered strategic in nature would be less for firms highly affected. Question no. 4 in part A asked respondents to break down the information which they received into strategic, routine, and of little value categories. The responses are summarized in table 14 for firms with and without information units. There is not a completely clear pattern in these results.



TABLE 14

TYPE OF INFORMATION GATHERED AND EXTENT  
OF GOVERNMENT EFFECT ON FIRMS

EXTENT OF GOVERNMENT EFFECT ON FIRMS (AS SEEN BY RESPONDENTS)	AVERAGE PERCENTAGE OF DIFFERENT TYPES OF INFORMATION GATHERED (No. of responses in parentheses)		
	Strategic	Routine	Of little value
<u>FIRMS WITHOUT INFORMATION UNITS</u>			
Great . . . . .	45.0 (22)	28.0 (22)	27.0 (22)
Considerable . . . . .	45.0 (8)	36.9 (8)	18.1 (8)
Moderate . . . . .	30.7 (7)	25.0 (7)	44.3 (7)
Very little . . . . .	60.0 (1)	40.0 (1)	-
TOTAL -	42.8 (38)	29.6 (38)	27.6 (38)
<u>FIRMS WITH INFORMATION UNITS</u>			
Great . . . . .	46.8 (15)	33.2 (15)	20.0 (15)
Considerable . . . . .	48.8 (8)	21.2 (8)	30.0 (8)
Moderate . . . . .	25.0 (3)	28.3 (3)	46.7 (3)
Very little . . . . .	-	-	-
TOTAL -	44.9 (26)	29.0 (26)	26.2 (26)

but it appears that firms considering themselves more affected by government may receive a greater proportion of both strategic and routine information, with less of low value being received.

Based on these findings, the first part of hypothesis 4 appears to be supported. The evidence does not indicate a clear tendency either way for the second part but, if anything, it appears to be rejected.

It will be noted that the vast majority of respondents considered their industry to be highly affected by government actions. Only one executive of the sixty-seven responding put his firm in the "very little affected" category and none in the "mildly affected." Thirty-nine (58%) considered themselves greatly affected and the balance either considerably or moderately affected. It seems clear that virtually all respondents believe that government plays a major role in determining their firm's activities. This compression of the responses into only three categories makes it more difficult to establish a meaningful differentiation of degrees of government involvement in an industry.

It had been envisaged at the beginning of phase II of the study that, despite the request in question no. 12 that the classification be made "relative to other

industries," this concentration in the higher effect categories might occur. To assist in a second possible method of ranking firms and industries with respect to degree of government involvement, question 12 also asked respondents to list one or two industries which they considered more and less affected than their own. It was believed that this might enable us to rank industries based on how respondents saw their own industry relative to others.

As a first step in ranking industries on this basis, it was necessary to classify firms into industry groups. The Standard Industrial Classification Index was used as a guide and, in addition, it was decided that any group should contain not less than three and preferably five firms. This was done to protect the anonymity of respondents and because smaller numbers could not be considered to provide very meaningful comparisons. To obtain a reasonable number of groups and adequate group size it was necessary to consolidate some smaller groups. This introduced the problems of possible within-group differences as well as a lack of fine distinction among groups but these were considered as acceptable limitations for the purposes of the study. The following ten industry classification groups were used:

- Petroleum and Gas (excluding gas transmission and distribution)
- Utilities
- Banks, Trust and Mortgage Cos., Misc. Financial
- Mining
- Insurance
- Alcoholic Beverages and Tobacco
- Food Processing
- Forest Products
- Motor Vehicles, Construction and Farm Equipment
- Merchandising

Nine of the sixty-seven firms were omitted from the groupings because they did not fit any of these classifications well and there were too few of them in any one additional category to justify their inclusion. There were some problems with firms which might fit into more than one category and these were placed in the category corresponding to their major activity.

The remaining fifty-eight were placed in the ten classification groups. It was then attempted to rank these with respect to extent of government involvement by comparing the views of the respondents on which industries were seen as more or less affected than their own. A summary of the industries mentioned as "more" and "less" and by whom they were considered as such is shown.

in table 15. The "Misc." row includes the responses from the nine firms which were not included but whose mentions of other industries were considered. The column called "None" was used for those replies where the respondents considered that no other industries were more (or less) affected than their own. Two other industries, transportation and communications, were mentioned several times--predominantly as more affected but we did not have enough responses from these industries to be able to use them.

It was clear that the first five listed, especially Petroleum and Gas and Utilities, were considered by the respondents to be the most affected, and Merchandising the least. Alcohol and Tobacco seemed next most affected and the remaining three between them and Merchandising. Within these clusters the distinctions were less clear. The rankings were made by inspection and were based on the numbers of "mores" and "lesses" and for those industries which were close together, on consideration of their opinions of each other, where possible. There is obviously a considerable degree of subjectivity in these rankings and often not clear-cut evidence of the relative positions of those industries shown adjacent to each other. Nonetheless, it is believed that the ranking generally reflects the current opinions of the respondents with respect to these industry groups.

TABLE 15.

RELATIVE EXTENT OF GOVERNMENT EFFECT ON INDUSTRIES  
AS SEEN BY RESPONDENTS FROM OTHER INDUSTRIES

INDUSTRY GROUPS		INDUSTRY MENTIONED										
		Petr. & Gas	Util.	Banks	Mining	Insur.	Alc. & Tob.	Food Proc.	Forest Prod.	Motor Vehicle etc.	March.	None
MENTIONED BY	Petr. & Gas	X	M L		L			L	L		LL	MM
	Util.		X				M				L	MM
	Banks	MM	M	X	M						LLL	M
	Mining		M	M	X				L		LL	M
	Insur.	L	M	MM L		X				L	LLL	M
	Alc. & Tob.	MM	M	M		L	X	L			L	
	Food Proc.	MM	M L		M	M	MM L	X	L			
	Forest Products	MMM			MM			M	X	L	L	
	Motor Vehicles etc.	MMM		M		M		M L		X		
	March.	MM	M		M						X	
	Misc.	MM		M	MM				L		L	
TOTALS -		19 M 1 L	8 M 2 L	6 M 1 L	8 M 1 L	2 M 1 L	3 M 1 L	2 M 3 L	4 L	2 L	14 L	

M - signifies considered more affected than industry mentioning  
L - signifies considered less affected than industry mentioning

The possibility that the timing of the data collection could have affected some of the responses was mentioned earlier. A possible instance is the number one position in this ranking of the Petroleum and Gas group. In the first half of 1974, governments had taken certain measures and were considering others as a result of the actions of the oil-exporting nations. A good deal of publicity had been given to the energy situation and the governmental intervention in the industry. It is difficult to know if this emphasis in the media and elsewhere affected the responses; it seems likely that this industry group would have been ranked near the top in any event, so any distortion as a result of this situation was not considered likely to have altered the results greatly.

Using these rankings, the extent of information-gathering activity and the proportion of strategic and other types of information were compared with the degree of government involvement, as was done previously using the "great" to "very little" scales (see tables 12 and 14). These comparisons are shown in tables 16 and 17. Firms with and without information units are not shown separately in these tables because of the small number of responses in individual cells which would result.

While there are irregularities in the pattern, there





TABLE 16

## GOVERNMENT-SCANNING TIME BY INDUSTRY GROUPS

INDUSTRIES IN ORDER OF DECREASING GOVERNMENT EFFECT (AS SEEN BY RESPONDENTS)	AVERAGE PERCENTAGE OF WORKING TIME SPENT ON GOVERNMENT-SCANNING (No. of responses in parentheses)
Petr. & Gas . . . . .	22.4 (6)
Utilities . . . . .	21.0 (6)
Banks, etc. . . . .	17.0 (7)
Mining . . . . .	25.8 (3)
Insurance . . . . .	7.2 (5)
Alcohol & Tobacco . . . . .	13.5 (5)
Food Processing . . . . .	3.0 (7)
Forest Products . . . . .	15.7 (7)
Motor Vehicles, etc. . . . .	6.1 (8)
Merchandising . . . . .	8.5 (3)



TABLE 17

## TYPE OF INFORMATION GATHERED BY INDUSTRY GROUPS

INDUSTRIES IN ORDER OF DECREASING GOVERNMENT EFFECT (AS SEEN BY RESPONDENTS)	AVERAGE PERCENTAGE OF DIFFERENT TYPES OF INFORMATION GATHERED (No. of responses in parentheses)		
	Strategic	Routine	Of little value
Petr. & Gas . . . . .	50.3 (6)	37.2	12.5
Utilities . . . . .	45.8 (6)	39.1	15.0
Banks, etc. . . . .	32.8 (7)	40.7	26.4
Mining . . . . .	60.0 (3)	15.0	25.0
Insurance . . . . .	47.0 (5)	23.0	30.0
Alcohol & Tobacco . . . . .	28.7 (4)	17.5	53.8
Food Processing . . . . .	50.7 (7)	19.3	30.0
Forest Products . . . . .	46.4 (7)	30.0	23.6
Motor Vehicles, etc. . . . .	34.4 (8)	30.6	35.0
Merchandising . . . . .	35.0 (3)	31.6	33.3

appeared to be a correlation between the proportion of time spent by executives in government-scanning and the extent of government effect on their industries. This relationship was tested with the Spearman rank correlation coefficient and was found to be significant at the .01 level. The first part of the hypothesis was thus supported. As before, with respect to the second part, the pattern is not conclusive. In general, the industries considered highly affected seem to have a somewhat higher proportion of strategic information and a little less of that with low value.

In summary, the first part of hypothesis 4 appears to be supported by the evidence of this study, i.e., firms with a greater degree of government planning and control devote a greater proportion of their information-gathering efforts to the government sector of their environment than do those less affected. The methods used for measuring the extent of government effects were not extremely precise, but it is believed that they present a reasonably accurate picture of the way in which Canadian business managers see the relative effects of government on industries. While it cannot be said strongly that the second part of the hypothesis was supported or rejected, there appeared to be a slight tendency for firms seen as highly affected by government

to receive a greater proportion of strategic information and a lower amount of information with little value.

If anything then, the second part of hypothesis 4 could be considered as rejected.

#### General Summary of Hypotheses

Among Canadian business firms, the majority do not have a formally designated unit for monitoring their environment. Even those which do have such a unit do not devote a large amount of resources to this task. However, individual executives may spend a sizable proportion of their time in scanning activity. Executives of firms which have information-gathering units spend a greater proportion of time scanning than do those who do not have such units.

Of the scanning effort which is carried on, the proportion devoted to the government sector is roughly comparable to the size of the governmental role in the Canadian economy.

The majority of respondents, both individual and those representing information units, considered that they received information about government actions soon enough to respond in some way. However, a sizable minority believed that they generally discovered such actions too late in the government process to do much in the way of effective responses.

Finally, firms which were considered (by themselves and others) to be greatly affected by government activity spent a greater proportion of scanning time on the government sector. The type of information gathered, i.e., strategic vs. routine vs. that of little value, did not appear to be affected greatly by the extent of government effect.

#### B. Other Findings

##### Sources of Information

In any study of information-gathering, the sources of information, i.e., where those desiring it can obtain it, are of major interest. Sources and methods are interdependent, with the methods of gathering information used being determined to a large extent by the sources from which it is or may become available. In questions number 3 of part A and 2 of part B of the questionnaire, respondents were asked to rate various possible sources in terms of both the amount of information which they received from each source and, perhaps more critical, the importance of that information as a basis for making decisions. A list of the sources considered most likely was provided to assist the respondents and, in addition, they were asked to indicate any others which they used. Only a very few did mention others and most of these were minor variations of

those listed.

The responses to these questions are summarized in tables D1 through D6 in Appendix D, which show the percentages of responses rating each source with respect to the amount and importance of the information on relevant government actions received from that source. To facilitate comparisons, a numerical scale was constructed by multiplying the percentages in each of the five categories by arbitrarily assigned values of zero to four (for "none" to "very large" respectively). These scale values give an approximation of the importance attached by the respondents to each source, with respect to both amount and importance of information. The scale values and ranks for the more important groupings are shown in tables 18, 19 and 20 on the following pages. Not all respondents checked each source category, which would have introduced some distortion into the scale rankings, but the variations in numbers of responses were not great and it was not considered that this would affect the rankings to a large extent.

Table 18 summarizes the values and ranks for executives of firms without information units. The major sources of information, in terms of quantity, were association publications, mass publications, government publications, and specialized publications. With respect to the importance

TABLE 18

INFORMATION SOURCES RANKED BY AMOUNT AND IMPORTANCE  
EXECUTIVES IN FIRMS WITHOUT INFORMATION UNITS

SOURCE OF INFORMATION	AMOUNT OF INFORMATION		IMPORTANCE OF INFORMATION	
	<u>Scale Value</u>	<u>Rank</u>	<u>Scale Value</u>	<u>Rank</u>
<b>GENERAL PUBLICATIONS</b>				
Mass publications (newspapers, general magazines, etc.)	2.23	2	2.14	7.5*
Specialized publications (business, technical, or scientific journals)	2.12	4	2.14	7.5*
<b>BROADCAST MEDIA (Radio, TV)</b>	1.20	14	1.26	14
<b>GOVERNMENT SOURCES</b>				
Published materials	2.15	3	2.29	3.
Personal contacts with:				
- government officials	1.97	7	2.64	1
- elected representatives	1.26	12	1.65	12
<b>INDUSTRY SOURCES</b>				
Trade or Industry Associations or Groupings				
- published bulletins, reports, etc.	2.30	1	2.24	4
- personal contacts through association	2.08	5.5*	2.18	6
Personal Contacts with:				
- customers	0.89	15	1.04	15.5*
- suppliers	0.86	16	1.04	15.5*
- competitors	1.22	13	1.56	13
- executives in other industries	1.55	11	1.82	11
<b>COMPANY SOURCES</b>				
Company information unit (if any)			N.A.	
Reports and meetings	1.93	9	2.08	9.5*
Subordinates	2.08	5.5*	2.08	9.5*
Superiors	1.73	10	2.22	5
Consultants, legal advisors, etc. retained by your firm	1.94	8	2.31	2

\*indicates tied rank

of the information, however, while government and association published materials were still near the top, they were ranked behind personal contacts with government officials and consultants and advisors to the firm. Broadcast media, customers, suppliers, and competitors were at the bottom in both respects. Despite the differences in the rankings for amount and importance, there was a definite correlation between the two factors (significant at .01, Spearman test).

The results were not shown separately for firms from the three sample lists because of the small numbers in the financial and merchandising groups. In general, firms in these groups followed the overall pattern except that financial firms tended to rate government published materials and officials and association sources a little more highly in both respects.

Table 19 shows the same information based on responses by executives of firms with information units. This unit now becomes an important source but not more so than some others. Compared with the first group (table 18), greater relative importance was attached to subordinates and company reports and meetings, and less to outside consultants and advisors. This may be because, with a more organized system of obtaining information within the company, it is not as necessary to rely on these outside sources. Published

TABLE 19

INFORMATION SOURCES RANKED BY AMOUNT AND IMPORTANCE  
EXECUTIVES IN FIRMS WITH INFORMATION UNITS

SOURCE OF INFORMATION	AMOUNT OF INFORMATION		IMPORTANCE OF INFORMATION	
	<u>Scale Value</u>	<u>Rank</u>	<u>Scale Value</u>	<u>Rank</u>
<b>GENERAL PUBLICATIONS</b>				
Mass publications (newspapers, general magazines, etc.)	2.34	2	2.07	9
Specialized publications (business, technical, or scientific journals)	1.90	10	1.86	11
<b>BROADCAST MEDIA (Radio, TV)</b>	1.45	16	1.50	16
<b>GOVERNMENT SOURCES</b>				
Published materials	2.05	8	2.24	6
Personal contacts with:				
- government officials	2.24	4	2.68	1
- elected representatives	1.48	15	1.64	15
<b>INDUSTRY SOURCES</b>				
Trade or Industry Associations or Groupings				
- published bulletins, reports, etc.	2.30	3	2.19	8
- personal contacts through association	2.23	5	2.37	3
Personal Contacts with:				
- customers	1.55	14	1.76	14
- suppliers	1.10	17	1.26	17
- competitors	1.88	11	1.80	12.5*
- executives in other industries	1.91	9	1.80	12.5*
<b>COMPANY SOURCES</b>				
Company information unit (if any)	2.14	6	2.33	5
Reports and meetings	2.11	7	2.36	4
Subordinates	2.46	1	2.58	2
Superiors	1.83	12	2.22	7
Consultants, legal advisors, etc. retained by your firm	1.76	13	1.96	10

\*indicates tied rank



material in general declined somewhat in importance which could indicate that an information unit plays a large role in scanning these sources. As before, there was a correlation between amount and importance of information from the various sources (significant at .01, Spearman).

The source assessment by respondents of different ranks are not summarized here because of the small numbers in individual categories but some general trends were noted. The company information unit (where applicable) was ranked more highly by the senior respondents than by lower-level executives; this may reflect the relatively high level at which these units report--information from them may tend to reach others by less direct routes. As might be expected, superiors were ranked highly as important sources by the lower-level respondents but association sources were less important to them. The latter may reflect a greater participation in association activities by more senior executives.

There was a tendency for the senior executives to give generally higher rankings for all sources. There are clearly more sources seen as great and very great by the senior levels. Lower levels may be more preoccupied with routine operations and less likely to have need for or appreciate the value of environmental information than top management, which needs it as a basis for strategic

decisions.

Table 20 summarizes the responses of company information units. They do not differ drastically from the responses of individual executives but publications are generally ranked more highly which, as previously noted, may indicate that such units play a considerable role in screening the large quantities of published material available from various sources. Association sources were also ranked more highly, in fact, at the very top. Personal contacts with government officials, which were ranked as most important by most other groups, were somewhat less so to these units. Superiors were considered quite important. The low-ranked sources, as with the individual executives' responses, were broadcast media, customers, suppliers and competitors. There was significant correlation (.01, Spearman) between the amount and importance of information from various sources.

Some further insight into the use of government sources is given by the responses to questions 5 in part A and 6 in part B. A summary of these is presented in tables 21, 22 and 23. Table 21 shows the views of respondents of different ranks on the accessibility and usefulness as information sources of government officials (sixty-five responses). It appears that

TABLE 20

## INFORMATION SOURCES RANKED BY AMOUNT AND IMPORTANCE

## FIRM INFORMATION UNITS

SOURCE OF INFORMATION	AMOUNT OF INFORMATION		IMPORTANCE OF INFORMATION	
	Scale Value	Rank	Scale Value	Rank
<b>GENERAL PUBLICATIONS</b>				
Mass publications (newspapers, general magazines, etc.)	2.50	4	2.13	8
Specialized Publications (business, technical, or scientific journals)	2.41	5	2.25	6
<b>BROADCAST MEDIA (Radio, TV)</b>	1.43	12	1.36	14
<b>GOVERNMENT SOURCES</b>				
Published materials	2.57	3	2.64	4
Personal contacts with:				
- government officials	2.19	6	2.57	5
- elected representatives	1.16	16	1.34	15.5*
<b>INDUSTRY SOURCES</b>				
Trade or Industry Associations or Groupings				
- published bulletins, reports, etc.	2.64	1	2.82	2
- personal contacts through association	2.62	2	2.83	1
Personal Contacts with:				
- customers	1.18	15	1.42	13
- suppliers	1.19	14	1.34	15.5*
- competitors	1.30	13	1.78	12
- executives in other industries	1.59	11	1.83	11
<b>COMPANY SOURCES</b>				
Company information unit (if any)			N.A.	
Reports and meetings	1.95	9	2.19	7
Subordinates	2.02	8	2.09	10
Suppliers	2.16	7	2.66	3
Consultants, legal advisors, etc., retained by your firm	1.87	10	2.10	9

\*indicates tied ranks

higher-ranking executives have readier access to government officials than do those on lower levels in their firms. The senior executives also give these officials a higher rating in usefulness, although the differences in this respect are less clear. Elected representatives are slightly more accessible to senior managers as well, as table 22 indicates, but the differences are not as clear in this instance. However, most respondent groups consider politicians generally to be less accessible than officials, as can be seen from a comparison of tables 21 and 22. Even when they are reached, the elected representatives are thought to be a less useful source of information.

Table 23 summarizes the same data for firm information units. These ratings of government officials are close to those given by individuals of presidential or vice-presidential rank for both access and usefulness. While they rate elected representatives in a similar range with respect to usefulness of information however, they do not view them as readily accessible, even in comparison with the "others" group. This may be because of the importance of personal contacts in obtaining access to politicians--a formally-structured unit may not develop the close relationships which could help in such

TABLE 21

ACCESSIBILITY AND USEFULNESS AS INFORMATION SOURCES  
OF GOVERNMENT OFFICIALS AS SEEN BY  
RESPONDENTS OF VARIOUS RANKS

(Percentages of total responses for each rank)

	Readily Accessible	Accessible with Effort	Not Readily Accessible
Presidents	78	19	4
Vice-Presidents	73	27	-
Others	38	56	6
Total -	66	31	3

	Good Source	Fair Source	Poor Source
Presidents	70	19	11
Vice-Presidents	73	23	5
Others	56	44	-
Total -	68	26	6

TABLE 22

ACCESSIBILITY AND USEFULNESS AS INFORMATION SOURCES  
OF ELECTED REPRESENTATIVES AS SEEN BY  
RESPONDENTS OF VARIOUS RANKS

(Percentages of total responses for each rank)

	Readily Accessible	Accessible with Effort	Not Readily Accessible
Presidents	52	40	8
Vice-Presidents	45	40	15
Others	40	40	20
Total -	47	40	13
	Good Source	Fair Source	Poor Source
Presidents	33	50	17
Vice-Presidents	30	50	20
Others	21	71	7
Total -	29	55	16

TABLE 23

ACCESSIBILITY AND USEFULNESS AS INFORMATION SOURCES  
OF GOVERNMENT OFFICIALS AND ELECTED REPRESENTATIVES  
AS SEEN BY FIRM INFORMATION UNITS  
(Percentages of total responses for each group)

	Readily Accessible	Accessible With Effort	Not Readily Accessible
Govt. Officials	65	29	6
Elected Reps.	15	69	15
	Good Source	Fair Source	Poor Source
Govt. Officials	71	29	-
Elected Reps.	31	54	15

contacts. In general, these responses support the relatively high ranking as sources given to government officials noted above.

In summary, personal contacts, particularly those with government officials, ranked high in importance for all groups. This is consistent with other findings and with the emphasis of this study on the government sector.<sup>1</sup>

<sup>1</sup>Aguilar, pp. 68, 94.

Associations were also considered quite useful, especially to firm information units, both as sources of published material and in providing opportunities for personal contacts. Elected officials were not generally very important sources for information, but were somewhat more important (and apparently more available) to senior executives than to others. Firm information units, where they existed, were important sources to senior executives.

#### Type of Search

Another aspect of information-gathering of interest is the approach taken to the task by managers. Reference was made earlier to the difficulty some respondents had in isolating time spent on scanning from that spent in other areas--often it is not considered a separate activity but an integral part of the managerial job. Respondents were asked to estimate the proportions of information on government actions which were received as a result of a search related to a specific issue, of general scanning activity, and of no particular activity on their part, i.e., coming to them unsolicited. Table 24 summarizes the replies from individual executives for the three major sample lists and for firm information units. The most noticeable difference among the groups is the lower proportion from specific search and the



TABLE 24

AVERAGE PERCENTAGES OF INFORMATION ON GOVERNMENT ACTIONS  
RECEIVED FROM DIFFERENT TYPES OF SCANNING ACTIVITY  
(64 responses)

INDUSTRY LIST	Specific Search	General Scanning	Unsolicited
Mfg., Res., & Util.	43.2	41.7	15.2
Merchandising	75.0	15.0	10.0
Financial	34.6	41.7	23.8
Total -	42.5	40.8	16.6
Information Units	45.7	38.5	15.8

greater amount of unsolicited information for financial institutions, (The merchandising data represent only two responses so too much reliance should not be placed on these differences; it is interesting to note that both of these reported identical proportions.) The breakdown by respondents' rank is not shown because no obvious differences were apparent with the exception of a clearly higher proportion of unsolicited information for chief executives of financial institutions (five responses). It can be conjectured that these differences might arise because of the central position of financial institutions,

and of their chief executives in particular, in the Canadian economy.

Information units reported roughly the same distribution as individuals, with marginally greater proportions on specific search and less for general scanning.

While these categories for type of search are not directly comparable with those of Aguilar, the "search related to a specific issue" is roughly similar to his "solicited information." Forty-three per cent of his responses were in this category which is very close to these results.<sup>1</sup>

#### Types of Government Effects on Firms

While a major focus of this study was on the information-gathering practices of Canadian business firms with respect to government actions affecting them, we were also interested in the nature of these actions: i.e., how does government exert its influence and/or control over firms? The functions of government and the roles which it plays were discussed in chapter I. In question number 11 in part A, respondents were asked to indicate the importance of the effects on their firms arising from a number of different government roles. The

responses are summarized in table 25. The number of categories has been collapsed from five to three for clarity.

Taxation is obviously considered far and away as the most serious effect of government on business firms. This should not be too surprising; first, because it affects all firms and not just those in a few industries and, second, if we assume that the making of profits is still a primary objective for most firms, then any measure which takes close to half of these away must be considered a major factor. This, of course, represents only the corporate income tax effect--other forms of taxation, direct and indirect, have additional effects.

Indirect effects, through government's influence on general economic conditions in Canada, were ranked second, with direct regulation of the firm by government close behind. Indirect regulation, through customers, suppliers, and others with whom a firm has dealings, was somewhat less than these and the remaining four categories were all considerably less important.

Breakdowns by the three sample lists are not shown. There were no marked deviations from the overall pattern in any of the groups but the financial firms were more polarized, i.e., the taxation, indirect economic, and

TABLE 25

## IMPORTANCE OF VARIOUS TYPES OF GOVERNMENT

## EFFECTS TO RESPONDING FIRMS

(Percentages of responses in each category)

ROLE OR FUNCTION OF GOVERNMENT	IMPORTANCE OF ROLE EFFECT TO YOUR FIRM				
	None	Minor	Moderate	Great	Very Great
TAXATION (all kinds)	-		7	93	
•REGULATION					
Direct regulation of your firm	12		18	70	
Indirect regulation of your firm (e.g. through customers, suppliers, etc.)	47		24	29	
SUPPORTIVE ROLE (e.g. incentive grants, subsidies)	73		18	10	
CUSTOMER (if government is a major buyer of your product or service)	73		15	12	
SUPPLIER (if government supplies services essential to your operations — e.g. roads or canals for transportation companies)	70		26	4	
COMPETITOR (if government offers services similar to yours)	73		18	10	
INDIRECT EFFECTS e.g. government influence on the economy (general level of economic activity, inflation, etc.)	3		22	75	

direct regulation effects were even more clearly the most important factors. Merchandisers indicated direct regulation as being of lesser importance and indirect economic effects somewhat greater.

Because of the many different types of regulation possible in various industries, respondents who considered

this category important were asked to give one or two examples of regulations which affected their firms significantly. In addition, in question 8, they were asked for an example of a specific recent government action which had had a major effect. The following comments are derived from these examples.

Supporting the conclusions noted above, many respondents cited taxation, especially changes in tax structure, as of major importance. The specific tax effects varied from industry to industry. Packaging and labelling requirements, environmental and safety controls, and the foreign investment review act were other common examples. Two respondents mentioned action of foreign governments--U.S. inspection of food products by a food processor and the impact of OPEC governments' policies on oil prices by a petroleum firm. Only one firm mentioned supportive actions and this was indirect as it concerned assistance given to a competitor which put that competitor in a more favourable position. Several firms referred to the general growth of the government influence; some considered the impact as the cumulative effect of many regulations rather than any specific large action; others, especially life insurance companies, mentioned the work load (and hence cost) imposed by government reporting

requirements. Not surprisingly, utility firms, and to a lesser extent those in alcohol and tobacco, saw price regulation as of prime importance.

In some cases it was the lack of clear-cut government policy of requirements which was seen as a problem. This was mentioned particularly by firms in the oil industry where the climate of uncertainty and jurisdictional disputes among governments made future planning and investment decisions very difficult.

Government actions were not considered undesirable in all cases. One manufacturer, threatened by imports, thought the lack of controls a problem and others (relatively few) considered they had been aided by increased government participation in their industries.

Finally, one firm accused the federal government of a general anti-business stance and believed that it set a poor example in encouraging a strong economy. Excessive wage settlements to public employees and disruptions in essential services were examples of the latter.

In summary, taxation is the government instrument with the greatest effect on Canadian business firms. The government's role in creating a healthy economic environment is next, followed by regulations of many different kinds.

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### Levels of Government Affecting Firms

In addition to the types of government action affecting firms, this study was interested in where these actions originated--that is, from which level of government they came--and whether there had been changes in this respect in recent years. Respondents were asked (question no. 10. part A) to indicate on a three-point scale the extent to which they were affected by each of the three levels of government and, if there had been any changes, the same information for ten years previous, i.e., in 1964. The results are shown in table 26.

The federal government is decidedly the leader in terms of importance to our sample firms, with almost 80 per cent in the great effect category and only 1 per cent considering it minor. The provincial level is seen as less important but considerably more so than the municipal level, which has almost two-thirds of the responses in the minor category and only 7 per cent in great.

Forty-eight respondents (72 per cent) believed the extent of government effect had changed significantly in the past ten years. All levels showed an increase, with the provincial level having the largest growth relative to its previous position. The differences



TABLE 26

## EXTENT OF GOVERNMENT EFFECTS ON FIRMS

## BY LEVEL OF GOVERNMENT

(Percentages of total responses at each level)

LEVEL OF GOVERNMENT	MINOR EFFECT	MODERATE EFFECT	GREAT EFFECT
IN 1974 (67 responses)			
Federal	1	19	79
Provincial	6	42	52
Municipal	64	28	7
IN 1964, IF DIFFERENT FROM ABOVE (48 responses)			
Federal	10	52	38
Provincial	40	40	21
Municipal	83	17	-

between 1964 and 1974 shown in this table overstate the extent of change since nineteen firms saw no significant change and these opinions are not included in the 1964 figures. Even with this taken into consideration, however, it is clear that the majority of respondents have seen an increase in the extent of government influence at all levels during the past ten years.

Table 27 gives the same information (for 1974 only) broken down by the three sample lists. Since manufacturing, resource, and utility firms make up the bulk of the total sample, the results for this group are similar to those for all firms shown in table 26. Merchandisers indicate a lesser influence by the two senior levels and a generally greater, although polarized, effect by the municipal level. Financial firms have an influence by the provincial level roughly comparable to that for the total sample, but show a greater effect by the federal and a lesser by the municipal levels than does the overall sample.

To summarize, the bulk of the responding firms in our sample considered the federal government as having the greatest effect on them with the provincial level of lesser importance and municipal lesser still. The majority of respondents believed that there have been significant changes (upwards) in the extent of these effects in the past ten years, with the provincial level showing the largest relative increase.

#### Other Factors

Among other factors possibly related to the extent of a firm's scanning activity in general and government scanning in particular is the size of the firms. While

TABLE 27

EXTENT OF GOVERNMENT EFFECTS ON FIRMS BY  
LEVEL OF GOVERNMENT AND INDUSTRY GROUP  
(Percentages of total responses at each level)

LEVEL OF GOVERNMENT	MINOR EFFECT	MODERATE EFFECT	GREAT EFFECT
MANUFACTURING, RESOURCE, AND UTILITY FIRMS (51)			
Federal	-	20	80
Provincial	4	39	57
Municipal	61	35	4
MERCHANDISERS (4)			
Federal	25	50	25
Provincial	50	50	-
Municipal	50	-	50
FINANCIAL INSTITUTIONS (12)			
Federal	-	8	92
Provincial	-	50	50
Municipal	83	8	8

the resources which can be applied to this or any other activity are not unlimited, it was noted in our discussion of Hypothesis 1 that the absolute amount of effort devoted to formal units by firms which had them was generally quite low; it would seem that lack of resources for at least a modest information-gathering effort would not be a practical constraint for firms in our sample, which are the largest in Canada. To see if size did have any effect on the existence of such units, the manufacturing, resource, and utility list was divided into quartiles and the number of firms with and without units compared. While a slightly higher proportion of firms in the upper quartiles had a unit, the difference was not significant. Based on this limited sampling, size of firm was not a major factor in the establishment of formal scanning procedures.

The questionnaire also asked whether a firm had a formally-prepared strategy or long-range plan. Of the sixty-seven respondents, all but twelve, or just over eighty per cent, had such a plan. This is consistent with other recent research findings.<sup>1</sup>

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<sup>1</sup>Gary A. Sheehan, "Long Range Strategic Planning and its Relationship to Firm Size, Firm Growth, and Firm Growth Variability: An Explorative Empirical Investigation" (Ph.D. thesis, University of Western Ontario, 1975), p. 53.

There was no apparent relationship between this and the existence of a scanning unit.

#### General Summary

Among the many sources which firms can and do use to gather information about the government sector of their environment, personal contacts, especially with government officials, ranked high. Elected representatives were considered less important and the opinions on them were less consistent. Associations were rated better than had been expected, both as publishers and distributors of printed material and as facilitators for establishing and maintaining personal contacts. Firm information units were important sources for senior executives in firms which had such units.

For firms in general, over 40 per cent of the information received was the result of a specific or directed search, almost as much came from general scanning, and the balance was unsolicited. The largest deviation from these overall values was for financial institutions, which received considerably more unsolicited information, i.e., information received from others through no effort on their own.

Taxation in its various forms was clearly the government action seen as most affecting Canadian business firms. The government's influence on general economic

activity in the country, which affects firms less directly, was next, followed by direct and indirect regulation of many different types.

The federal level of government was considered to have the greatest influence on business firms. The provincial level was second and municipal government clearly the least important to most firms. The majority of respondents believed that the influence of all levels had increased in recent years, with the provincial level showing the greatest relative increase.

Size of firms and the presence or absence of a formal plan or strategy did not appear to have any relationship to scanning efforts.

## CHAPTER VI

### SCANNING EFFECTIVENESS AND PROBLEMS ENCOUNTERED

#### GENERAL COMMENTS AND CONCLUSIONS

##### Effectiveness of Scanning

In the introduction to this thesis it was stated that a major problem confronting business managers today is that of anticipating, predicting, or recognizing the government actions likely to affect their firms and the nature of these effects. Is scanning activity, as currently practised by large Canadian business firms, effective in aiding them to find solutions to this problem? While, as has already been noted, the amount of resources devoted to formal information-gathering is not very large, the proportion of senior management's time spent in scanning represents a considerable investment. Are the benefits commensurate with the costs?

Unfortunately, the determination of scanning effectiveness is somewhat vague and the measurements available were not extremely precise. However, in the questionnaire some questions were asked which bear on this area and a sample of respondents' opinions was obtained indicating how well they perceived their scanning

to work." In the previous discussions of hypothesis 3, two indications of scanning effectiveness were mentioned. The majority of respondents, both individual and representing information units, reported that they learned of impending government actions soon enough to respond appropriately or at least by the proposed legislation stage. While this indicated that most firms were able to mount some response, it was not considered particularly encouraging that almost one-quarter were not able to do so and that over half had had "surprises" from government in the past two years.

Whether this can be considered as good or bad performance depends on what is possible and/or practical. Question number 8(b) in part A asked respondents if they thought all reasonably accessible information (or what was possible to obtain) was available when needed. Of the fifty-seven responses to this question, forty-nine (86%) said that they did. Only eight (14%) thought that they had inadequate information and that more could have been obtained with a better information system. These eight were divided equally between firms with and without information units so this did not appear to be an important variable in this instance.

Another question (no. 6) asked if respondents were satisfied with their personal information systems and



with those of their firms. The responses are tabulated in table 28. Less than 20 per cent of respondents considered either system to be deficient or unsatisfactory and at least 39 per cent (ranging up to 56) considered them excellent or good. Surprisingly, more respondents from firms with formal information units considered their firm's information system deficient or unsatisfactory, but they also put more in the excellent-good category. On the whole, then, the large majority of respondents were at least satisfied with their information systems.

TABLE 28.

## SATISFACTION OF RESPONDENTS WITH INFORMATION SYSTEMS

(Percentage of responses for each system)

FIRMS WITH NO FORMAL INFORMATION SYSTEM			
SATISFACTION WITH:	Excellent - Good	Satisfactory	Deficient - Unsat.
Personal information system (40 responses)	40	50	10
Firm's information system (39 responses)	39	56	5
FIRMS WITH FORMAL INFORMATION SYSTEM			
Personal information system (27 responses)	44	41	15
Firm's information system (27 responses)	56	26	19

An additional possible measure of scanning effectiveness is whether or not respondents planned to make any changes in their information-gathering procedures. While still dependent on the respondents' views rather than on an external, possibly more objective evaluation, this measure has the advantage over the others discussed of taking into consideration, at least to some extent, the cost factor. Satisfaction or evaluation of what was available may indicate what a respondent would like to have but actual changes planned are more likely to reflect the practical considerations involved. The responses to this question are shown in table 29 (the

TABLE 29

CHANGES PLANNED IN INFORMATION-GATHERING METHODS		
	CHANGES PLANNED?	
	YES	NO
(Percentage of responses)		
<b>Personal Information Systems</b>		
Respondents in firms without information units (40)	28%	72%
Respondents in firms with information units (27)	44	56
<b>Firm Information Units (17)</b>	24	76

"Yes" category includes those saying their procedures were under review). In firms without information units, only 28 per cent of individual respondents planned changes in their personal information systems compared with 44 per cent in firms with units. Only 24 per cent of information units planned changes. Some of those respondents answering "yes" commented on the type of change envisaged and the vast majority of these said they planned a greater emphasis on personal contacts, especially with government officials. One firm which currently has a unit was planning to add additional personnel to it, another firm planned to hire an individual to scan for senior management, and one other was in the process of establishing a scanning unit (details were not decided at the time of reply). Except for these three, the plans were all towards a generally increased awareness and the increased emphasis on personal contacts noted above, rather than extensive procedural or structural changes. There is no obvious explanation for the higher proportions of individuals planning changes in firms with information units, especially since the units themselves are planning relatively few.

To return to the question posed at the beginning of this chapter--"Is current Canadian business scanning activity effective?"--we would have to say ~~that~~ there is no strong, objective measure of this activity but it

appears that the managers directly concerned believe that it is reasonably effective or, at the minimum, that it accomplishes as much as is practical. There is a significant minority of firms who learn of government action too late to make a good response and there are many surprises; on the other hand, most of our respondents believed that they got all reasonably available information, few considered their methods unsatisfactory, and few planned any extensive changes.

Our conclusion must be, based on the views of senior managers, that scanning in general achieves as much as is practical or possible under existing conditions. The question of whether changes in these conditions could improve it is beyond the scope of this study.

#### Problems Encountered

Another approach to assessing scanning effectiveness is to determine the nature and extent of the problems encountered. This had the additional virtue of focussing on areas where action may be needed or useful, thus creating the possibility of making improvements. Respondents were asked to describe the major problems which they encountered in obtaining information about government actions affecting their firms. Thirty-five of the individual executives replied

to this question and their comments are discussed in the following paragraphs. While the replies described the problems in different ways, there was a great deal of commonality among them and they have been grouped into a few categories for purposes of the discussion.

The most common complaint by far (mentioned by 22 respondents) was the lack of consultation by or dialogue with governments. Some of the respondents felt that this implied a lack of trust between government and the business community and that an air of excessive secrecy with respect to many actions was pervasive in the relationship. Others were critical of the attitudes of some government officials--these were considered to have an "anti-business" stance. From the tone of some of the comments, it seemed that the beliefs in an adversary relationship suggested by such attitudes, if they do exist, are not confined to the government side.

The other problems received many fewer mentions. Five respondents referred to the sheer volume of government activity and the information available or which would be required. The monumental size of the task was seen as the problem. Related to this (mentioned by four executives) was the size and complexity of the government structure. Even if the desired information were available on request, the difficulties of finding

the right person or unit in this labyrinthine complex are formidable to the uninitiated; for practical purposes, officials may sometimes be considered inaccessible because seekers of information do not know who and where they are.

A final problem, reported by four of the sample, was the lack of clear policies on the part of the government. In this instance, the problem was not so much how to seek the information as that there was no (or inadequate) information to seek. It was sometimes considered that government was certain to take some action but that concrete ideas were slow in appearing because of uncertainties or conflicts within the government itself. This climate of uncertainty made decision-making very difficult for business firms. The lack of a clear energy policy was cited by some oil company respondents as an example. It was also mentioned that there often seemed to be a lack of coordination and consistency in government actions--conflicting information and policies originated from different departments or sections.

The part B questionnaire asked the firms' information-gathering units the same question, i.e., what problems did they encounter in searching out information on government actions. Eleven of them commented. The problems reported were essentially the same as those of

the individual executives. Five complained of a lack of consultation and dialogue by governments and of excessive and unnecessary secrecy about their actions.

The size of the government role and the associated huge volume of information were seen as problems by three of the eleven respondents. They believed that there was just too much for busy managers to cope with. Another respondent commented on the aforementioned complexity of the government structure, stating that a knowledge of the various departments and how they operate was essential to obtaining information.

The lack of clear-cut government policies and the resulting ambiguity were mentioned by two firms. It is not possible to get information when the sources are not sure of what they are doing.

It is clear that the major problem seen by our respondents is the overall deficiency in communications between them and governments. In their opinions, there is a general lack of consultation and dialogue and governments are too fond of secrecy to permit a free flow of information. An adversary attitude, with suspicion or distrust prevailing on both sides, appears to exist to some extent.

It is not completely apparent how these opinions can be reconciled with the earlier rating of government officials and even, to a lesser extent, elected

representatives as good sources of information. Since the latter was based largely on personal contacts, is it possible that business executives find themselves capable of relating to government people on an individual basis, but become caught up in stereotyped concepts of big (and probably bad) government when they consider the overall picture? There seems to be a discrepancy between opinions about government people on a concrete, face-to-face basis and about "government" in the abstract.

#### General Comments by Respondents

In addition to the various questions asked on more specific items, respondents were also invited to make any other comments which were relevant to either their information-gathering activity or to government effects on their firm. About one-third of them did so and some of these comments are discussed below. They are diverse in character and do not, in general, lend themselves to categorization. Some of them repeat comments made earlier about problems encountered or about some of the specific questions.

Several firms emphasized the high personal input in information-gathering. Two firms, who reported that they did not have an individual or unit formally responsible for environmental scanning, nevertheless



were not completely informal either. One relied on individual departments to feed information on their spheres of operation to senior management; the other allocated information-gathering assignments to specific executives within the firm. The latter found that this system worked well if the responsibility for these tasks was well-defined. Even with a formal information unit, the personal factors were considered important. One respondent from a firm with a unit commented that a great deal depended on the personality of the individual in the company responsible for that activity. One firm which has operations in other countries as well as Canada considered that information-gathering was relatively easy here but that the cost of getting it can often exceed its value.

The lack of ongoing discussions between business and government--the general dearth of communications referred to earlier--was mentioned by several firms. The failure of government to discuss the effects of their actions on industry resulted in the adversary approach referred to in the previous section. The lack of coordination within government was mentioned particularly, both among departments and between the federal and provincial governments. This sometimes resulted in different government units working at cross-purposes with

business firms caught in an uncertain middle-ground between them. In these discussions, reference has often been made to "government" or the "effects of government" and this may give the impression of a monolithic entity; the above comments by respondents serve as a reminder that government is made up of many different and sometimes conflicting sub-groups.

One company which relied heavily on census data and other Statistics Canada information for marketing planning complained about the slowness of receiving these data; they are sometimes too late to be of much use. This comment applies more to information-gathering (and dissemination) by government than about government, but the timeliness problem may apply to the latter as well.

Some respondents saw the problems not in information-gathering but in government itself. A preference for a more laissez faire approach by government was apparent in some comments. The excessive amount of regulations, laws, and guidelines issued, causing many problems for firms, and the amount of work and time involved in meeting the paperwork demands of government regulation were cited. Government's own large appetite for information was considered a burden by some, especially insurance firms. One opponent of further government encroachment expressed his feelings with a

succinct, "Keep 'em out!" Still another expressed concern about the effects of government changeability and the resulting impact on business decisions; the abrogation of existing royalty and tax agreements in the petroleum and gas industry was the specific concern.

And the pervasive effects of foreign governments were also felt. One respondent in the motor vehicle industry said that the greatest impact did not come from the Canadian government--the U.S. government's actions had greater effect on the industry and company.

On the whole, the comments reflected the communications (or lack of it) problem between business and government, the importance of the personal touch in information-gathering, and some concerns about the increased role of government in general.

### Conclusions

The majority of the conclusions listed below have been stated previously in the various discussions of hypotheses and other findings; they are listed here to provide a convenient summary of the findings of the study. It is believed that they present a realistic picture of the government-scanning activities of large Canadian business firms and the effects of government on them. While it is not explicitly stated in each case, the conclusions are drawn from the responses to this

study and do not necessarily reflect the activities of other firms, although it is expected that they are reasonably representative of large Canadian firms in general.

1. The majority of large Canadian business firms do not have an individual, unit, section, etc. specifically assigned the formal responsibility to scan the firm's external environment and report relevant information to management.
2. The minority of firms (40 per cent of responses in this study) which do have specifically assigned scanning responsibilities do not, in general, devote large amounts of resources (measured in personnel time) to this activity. In addition, the scanning responsibility is often a part-time assignment and those performing this activity have tasks in other areas as well.
3. Most of these information units (two-thirds) report to a senior level of management (vice-president or higher).
4. Individual executives in our sample devoted on average approximately one-third of their working time to scanning activities. Those in firms with information units averaged closer to 40 per cent of their time on scanning. Much of this effort is

- intermingled with other tasks; i.e., not a specific scanning time designated as such
5. Both individual executives in firms with information units and those units devote about 44 per cent of their scanning time to government activities; executives in firms without such units spend a lower proportion of scanning time on government (about 34 per cent)
  6. Approximately one-third of firm information units did not become aware of government actions affecting them until the proposed legislation stage
  7. The majority of executives (77 per cent) believed that they received information about government actions soon enough to develop an appropriate response. Those in firms without information units fared better, by their own opinions, but the difference was small
  8. Over half of the executives had had surprises (unexpected actions) from government in the past two years
  9. A large majority (over 80 per cent) of executives believed that they received all reasonably available information about government actions
  10. Less than 20% of executives considered their information-gathering methods unsatisfactory

11. Almost three-quarters of executives in firms without information units planned no changes in their scanning methods; for those with units, slightly more than half planned no changes. In almost all cases, the changes that were planned were relatively minor, mostly an increased emphasis on personal contacts
12. Firms in industries which were considered to have high degrees of government involvement spent more time on government-scanning than did those less affected
13. Firms considered to be highly affected by government gathered slightly higher proportions of strategic information and slightly less of low-value information, but the differences were so small as to be of little significance
14. Personal contacts, especially those with government officials, were the most important sources of information on government actions for all groups. Associations and government publications were also good sources. Firm information units were important sources in those firms which had them
15. Access to government officials and elected representatives appeared to be easier for higher-ranking executives

16. Information received from specific search and from general scanning each accounted for about 40 per cent of the total for our executives. Those in financial institutions did less directed searching and received more unsolicited information
17. Taxation was considered to be by far the government action with the greatest effect on the firms. Indirect effects, such as the government's influence on general economic activities were next, followed by direct regulation
18. The federal government was considered by most firms to have greater effects on them than provincial or municipal levels. All levels had increased their effects in the past ten years with the provinces gaining relatively more influence
19. Size of firms had no apparent effect on the existence of scanning units in firms
20. The major problem (by a large margin) seen by respondents in obtaining government-related information was the lack of consultation and dialogue between business and government, fostered by attitudes of suspicion and distrust and aggravated by secrecy

21. The sheer size and complexity of government creates problems in obtaining information. The volume of activity and the difficulty of isolating the correct segments of government were the major difficulties
22. Lack of clear-cut government policies and of coordination among various arms of governments creates a climate of uncertainty inimical to effective business decision-making
23. The importance of good personal relationships in information-gathering was considered very high by many respondents
24. The degree of government involvement in industry and the resulting administrative demands were considered excessive by many executives; on the other hand, a few desired greater government participation in specific areas.



## CHAPTER VII

### THE SCANNING PROBLEM AND IMPLICATIONS FOR MANAGERS, GOVERNMENT, AND RESEARCHERS

This study investigated the scanning (information-gathering) activities of large Canadian business firms, with particular emphasis on information about government actions affecting the firms. The findings have been presented in the previous chapters. This final chapter consists of four sections: a discussion of the scanning problem, some implications for business managers and governments, and suggested areas for future research.

#### The Scanning Problem

A major task of the management of a business firm is the development of a corporate strategy. An integral and essential part of the strategy-formulation process is the analysis of the environment within which the firm operates; a prerequisite of such analysis is the gathering of information about this environment. The rapid growth of the governmental sector in the Canadian economy in recent years has been described in previous chapters. The effects of this growth on business firms in such areas as taxation and regulation have been substantial--even, in the words of

one respondent, "devastating." As a result of this growth and the consequent serious effects on business firms, government has become an increasingly important part of the environment which the manager must consider.

Will this growth continue? There is recent evidence that government is willing and able to take stronger action in directing the economy through regulating the activities of business firms (and others). The anti-inflation restrictions on wages and profits instituted in 1975 are an obvious example. While these regulations were presented as a temporary measure with a limited life, they represent a significant tightening of direct controls on economic activities in Canada and indicate a readiness of government to institute more rigorous control when they see fit, even in the face of considerable opposition and in conflict with their own previously-stated positions.

While there has been considerable discussion in recent months of the need for restraint in government spending, to date there is no clear evidence that major restraints have been or will be applied. Some moderation in the rate of growth appears probable, but a reduction or decline in government spending is not likely. As a result, reductions in current taxation levels are not expected. While complaints about high levels of taxation are frequently heard in the media, and there has been an apparent decline in the credibility of governments among the general public,

there appear to be no widespread pressures for major reductions in government's role.

Governments have also shown a willingness to increase their direct participation in economic activities. Some of the more recent government-backed corporations, for example, the Canada Development Corporation and PetroCanada, have taken it into areas which have traditionally been occupied by the private sector. Such action can put government in direct competition with privately-owned firms.

Overall, the role of government and the extent of its effects on Canadian business firms are not expected to decline, and will probably increase. To the manager, this means that he cannot regard the large role of government in his environment as a temporary aberration; he will have to live with it well into the foreseeable future.

The challenge to the Canadian business manager, then, in the face of this influential presence, is to anticipate what government will do and how this will affect his firm; only then can he devise the optimum strategy. To do this, he must have information about government and its workings.

Is he meeting this challenge? The findings of this study indicate that a considerable number of managers are not. While individual executives devoted (on average) almost one-third of their time to scanning their environment and were generally satisfied with their performance, this

was by no means universal. One-half of the respondents to this study spent less than ten per cent of their time in scanning the government sector and almost one-quarter believed that they did not learn of government actions affecting them early enough to make an appropriate response. Over one-half also reported that they had received "surprises," or unanticipated actions by government, during the previous two years.

A major problem reported was a general lack of communication and understanding between government and business. While many respondents had been able to establish good personal contacts with individual government officials (two-thirds considered these officials readily accessible and good sources of information), there was an apparent distrust or adversarial attitude with respect to government in general. An increased knowledge of the workings of government and of the political factors which any government must consider in its decisions will not guarantee greater understanding; it is, however, a necessary prerequisite.

There is clearly a need for improvement in scanning performance. If such an improvement can create a better understanding and working relationship between government and business, as seems probable, then its importance will extend well beyond the formulation of strategy for an individual firm.

This study has contributed a picture of current scanning practices in large Canadian business firms, the effects of government on the firms, and some problem areas which concerned the respondents. The findings suggest some implications for business managers and for government which can help to improve the information flow between them, and some fruitful areas for future research to cast additional light on an area of the managerial task which has received little attention.

#### Implications for Managers

As noted above, the problems considered most serious by the respondents were a general lack of dialogue, an adversarial attitude, and a climate of distrust between business and government. The manager should ask himself why this situation exists. If it is because of a fundamental disagreement with governmental objectives and the idea of government intervention in business affairs, then the relationship is not likely to change. Even in this situation improved scanning can benefit the manager-- it will provide him with information about "enemy" operations. On a more optimistic note, if it arises because of lack of understanding of government objectives, the forces which influence political and administrative decisions, and the process by which such decisions are reached, then an improved knowledge of government derived

from more effective scanning can contribute to a better relationship.

The following paragraphs suggest some approaches to improved information-gathering by business firms.

Structure of scanning organization. Should a firm establish a formal information-gathering unit? No clear superiority in terms of perceived effectiveness or satisfaction was found for firms which had such units. Moreover, there was a trend to place greater emphasis on personal relationships and to depend more on individuals. This was especially true with respect to senior executives, with their apparent better access to some sources.

Can top management delegate scanning responsibility to a formally designated information unit, or is it one of those tasks which "cannot be delegated downward very far"?<sup>1</sup> Senior executives have a critical role to play in the gathering of information for the firm, and there are certain areas in which only they can do the job. But there are also dangers to an executive in performing this task:

The chief executive has to watch out for the killing variable in the external world . . . the variable that can change everything for his company. But if he doesn't limit what he watches, he'll end up trying to include everything.

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<sup>1</sup> Kjell-Arne Ringbakk, quoted in Ronald Anderson, "A False Start," Toronto Globe and Mail, 11 September 1975, p. B2.

<sup>2</sup> Gooding, p. 87.

There is no clear consensus on the value of a formally designated scanning unit. There are, however, certain areas of the task where such units (or individuals) appear to have the most potential value. They would be able to save management time in scanning the mass publications and the large volume of printed material emanating from government and association sources. The bulk of this is likely in most cases to be routine information--not unimportant but not of strategic value to top management. By screening out much of this material, and directing it to those who can best utilize it, an information specialist (individual or group) can save managers' valuable time and enable them to concentrate on strategic factors.

Governmental specialist. It was noted that a problem to be faced before one can start to get information is the identification and location of the source(s). The federal government has over twenty departments; many of the provinces have only slightly fewer. In addition, each level of government has various boards, commissions, and other agencies established for particular purposes. Any one firm will normally be concerned with only a small proportion of these, but the "Where do I start?" question can still be formidable. An individual or group which has special knowledge of the intricacies and complexities of governmental structure and processes could save much time

for others in locating sources, even if they are not primarily information-gatherers themselves. A personal relationship may have to be established to get full value from a source, but first the source must be located. A recognition by government of the extent of this problem would also be of great help (this is discussed later under Implications for Government).

Coordination of existing resources. An additional task well-suited to an information unit is the coordination of existing information resources within the firm. It was noted in chapter IV that one industry association maintained a list of people in its various member companies who had special contacts or sources on particular subjects or issues. Such a list or register within a company will be of value when seeking out specific information areas, and could reduce the need for a highly structured system while making more effective use of special skills already existing within the firm. A related task is to ensure that information discovered from any source, internal or external, is directed to those in the firm who need it and can use it.

Specific scanning responsibilities. An alternative to formally designated units for scanning used by some respondents was the assignment of specific scanning responsibilities to certain personnel as part of their duties and the specification of reporting channels to



ensure the appropriate distribution of the information gathered. The use of full-time scanners could be confined to certain areas where the volume from a single (or a few) source or on a single subject is very large. The specific responsibility assignments are the key factor in this approach. Without these, many operating personnel will be reluctant to spend time on an activity which appears to have little short-run benefit to them. The commitment of senior management to the task and the awareness among other personnel that this is an activity which can bear on performance measurement and rewards will do much to encourage an awareness of the value of external information; it is desirable to encourage such awareness throughout the entire organization as well as among those specifically assigned a scanning responsibility.

Use of industry associations. A firm should examine carefully the value of industry or other associations; the potential for economies in generalized information-gathering is obvious. In some instances an industry representative can be more effective than one from an individual company. There are limits to the cooperation possible, especially in highly competitive industries, but associations were considered by many respondents as very useful sources of information and, perhaps even more important, as a convenient forum for making and maintaining personal contacts.

Surprise analysis. Many respondents stated that they had received surprises from government, i.e., unanticipated actions for which they were not prepared. While past events are not always a reliable guide to the future, careful analysis of the past can often help to pinpoint weaknesses in the information-gathering system and to suggest possible remedies.

Government attitudes. Information on the attitudes and outlook of government decision-makers is of as great potential importance to managers as that on specific regulations. When governments have the power to enact legislation retroactively (a method decried by some respondents), the absence of a specific prohibition may not protect a firm from undesired action. The post hoc outlawing of the proposed Consumers' Gas acquisition and the banning of Dominion Dairies' non-returnable milk jug referred to in chapter IV are examples--a better appreciation of government's outlook on such an action might have avoided some of the problems or at least warned the companies that it would be wiser to avoid the situation.

#### Implications for Government

The climate of distrust between business and government discussed earlier has implications for government as well. Of immediate political concern is the creation of

opposition. Taking a broader perspective, if lack of adequate information about government intentions hinders the effective performance of the private sector, then adverse effects will be felt by all Canadians.

Recognizing that there are some areas in which government will want to promote the utmost secrecy, the following suggestions are aimed at improving the flow of information which is to be made available to the public.

Coordination of information. A problem discussed earlier was the difficulty imposed by the complexities of government structure. Even if information was available, it was not always accessible because seekers from outside government and even government employees did not know how or where to get it. A central clearing-house to coordinate all government information and a helpful attitude among public servants towards information-seekers would do much to relieve this problem. Information Canada was instituted for this purpose but has since been disbanded.

Timeliness of information. Some respondents complained that government information was received too late to be useful. The previous suggestion would help to alleviate this problem as well.

Volume of information. A periodic review of information issued to evaluate its usefulness should be initiated and unnecessary publications cancelled.

Greater effort could then be devoted to the remainder.

A related problem is the amount of information demanded by government. It was clear from the responses that governments had not convinced business people of the need for or the value of much of the information which they were required to furnish; the collection of at least some of these data was seen as a costly and unproductive task. Governments should either justify the need for such information or discontinue its collection.

#### Implications for Researchers

The subject of environmental scanning has received relatively little attention from Canadian and other researchers. As a result, this study was largely exploratory in nature. There remain considerable areas to be investigated and a major contribution of this work is in pointing directions for further research. Some of the most promising areas are discussed below.

Extension of present study. The limitations of this study suggest additional work. Its scope was confined to the largest Canadian companies; the research can be extended to include small and medium-sized firms to make the findings more generally applicable and/or indicate differences associated with size. A comparison with United States practices could indicate new approaches for Canadian firms.

The present or a larger sample could be broken down along other dimensions: comparison of Canadian vs. foreign-owned firms and corporate offices vs. operating divisions in diversified companies are particular examples.

An information channel has two ends--the sender and receiver. This study was confined to the gathering of information by business firms (the receiving end). The sender or government end is also an important area to explore.

Effectiveness and cost-benefit analysis of scanning activity. Exactly how much information about government can contribute to a firm's effectiveness and how this compares with its cost is not known. Research into this area would best be conducted, at least initially, on a case by case basis. Detailed analysis of surprises will suggest weaknesses in scanning systems.

Analysis of scanning structures. A more detailed analysis of the operation of information units in firms which have them and comparison with those which don't will yield useful information on the effectiveness of such units. This research should also be confined to a smaller sample to permit greater depth of study.

Type of information required. Since the specific information required by a particular firm will vary considerably, research on types of information required and obtained will best be conducted on an individual firm

or industry basis. Analysis of information required at different levels of a firm will suggest possible ways of structuring the scanning organization. The sources used are so closely linked with the type of information sought that the study of these two areas should be integrated.

Attitudes of business and government. The climate of distrust between business managers and government noted by respondents is of great concern. A study of the underlying reasons for these attitudes can lead to ways of reconciling or, at least reducing the conflict; the problem may not be eliminated but ways of managing it can be developed.

Government effects on firms. Detailed study of the effects of various government actions on business firms, and hence indirectly on other sectors of the economy as well, would assist government decision-makers in assessing the impact and consequences, both desirable and undesirable, of competing policy alternatives.

APPENDIX A

QUESTIONNAIRE SURVEY SAMPLE LISTING

## APPENDIX A

## QUESTIONNAIRE SURVEY SAMPLE LISTING

The three lists on the following pages, "the one hundred largest manufacturing, resource and utility firms"; "the ~~ten~~ largest merchandisers"; "the twenty-five largest financial institutions," are reproduced from the Financial Post of 3 August 1974.

These 135 companies comprised the sample used in phase II of the study, the questionnaire survey of Canadian business firms.



## THE ONE HUNDRED LARGEST MANUFACTURING, RESOURCE, AND UTILITY FIRMS

Rank by sales 1974	Rank by sales 1973	Sales or operating revenues \$ '000	Company	Rpt by assets	Assets \$ '000	Rank by net income	Net income \$ '000	Foreign ownership	
								%	Owner
1	1	\$3,594,300	Ford Motor Co. of Canada Ltd.	11	1,284,800	4	130,800	88.0	Ford Motor Co., Dearborn, Mich.
2	2	\$3,116,092	General Motors of Canada Ltd.	17	916,554	8	113,899	100	General Motors Corp., Detroit
3	3	\$2,580,000	Imperial Oil Ltd.	5	2,132,000	1	228,000	69.4	Exxon Corp., New York
4	7	2,123,936	Canadian Pacific Ltd.	2	4,358,325	7	119,876	36.4	U.S. 18.1%, British 9.9%, other 8.4%
5	4	2,101,580	Bell Canada	1	5,138,688	3	199,975		
6	6	\$1,866,879	Alcan Aluminium Ltd.★	3	2,442,600	13	82,432	54.5	U.S. 44.7%, other 9.8%
7	5	\$1,695,140	Chrysler Canada Ltd.	34	454,526	31	33,232	100	Chrysler Corp., Detroit
8	8	1,504,728	Massey-Ferguson Ltd.★	12	1,247,795	17	58,155		
9	10	1,497,070	Canada Packers Ltd.	55	269,720	55 (a)	19,105		
10	9	1,377,360	George Weston Ltd.	22	622,922	30	34,629		
11	11	1,215,191	MacMillan Bloedel Ltd.	16	1,016,092	14	81,752		
12	12	1,169,765	International Nickel Co. of Canada★	4	2,242,985	2	226,269	48.0	U.S. 31%, other 17%
13	13	\$1,077,890	Shell Canada Ltd.	13	1,195,851	9	112,529	71.0	Royal Dutch/Shell Group
14	14	\$1,032,410	Gulf Oil Canada Ltd.	9	1,367,287	10	101,674	68.3	Gulf Oil Corp., Pittsburgh
15	15	937,662	Steel Co. of Canada	15	1,143,287	11	87,684		
16	17	848,545	Noranda Mines Ltd.	10	1,353,588	6	121,394		
17	16	\$776,705	Distillers Corp.-Seagrams Ltd.★	7	1,568,346	15	72,681		
18	18	655,844	Danstar Ltd.	26	571,452	27	40,559		
19	20	623,783	Brascan Ltd.★	6	1,680,311	5	128,211		
20	21	585,552	Moore Corp.★	33	484,440	19	54,753		
21	19	583,414	Canadian General Electric Co.	38	429,720	49	20,780	91.8	General Electric Co., Schenectady, N.Y.
22	23	\$558,183	Texaco Canada Ltd.	32	500,290	18	55,367	68.2	Texaco Inc., New York
23	25	\$543,178	Born's Foods Ltd.	86	106,894	90	(b) 5,048		
24	24	519,558	Dominion Foundries & Steel Ltd.	21	667,834	20	52,541		
25	22	517,855	HM Canada Ltd.	45	362,480	25	46,158	100	International Business Machines Corp., Armonk, N.Y.

26	32	509,589	Genstar Ltd.	31	501,302	41	25,029	33.4	Belgium 22.4%, Britain 11% (1)
27	34	497,683	Consolidated-Bathurst Ltd.	28	534,987	52	19,870		
28	26	†497,682	Molson Companies Ltd.	47	345,316	46	21,848		
29	31	466,877	International Harvester Co. of Canada ..	71	170,639	45	21,864	100	International Harvester Co., Chicago
30	27	†466,563	Inasco Ltd.	53	293,880	36	28,036	53.0	Britain (2)
31	28	†462,755	Hiram Walker-Gooderham & Worts Ltd.★	19	722,030	16	63,747		
32	42	438,163	Falconbridge Nickel Mines Ltd.	18	742,337	23	47,904	14.5	Superior Oil Co., Houston (3)
33	29	436,803	TransCanada Pipelines Ltd.	8	1,418,639	28	39,512		
34	•	403,876	Swift Canadian Co.	87	99,152	72	9,589	100	Swift & Co., Chicago
35	38	403,536	Abitibi Paper Co.	39	425,058	32	30,552		
36	30	†402,591	John Labatt Ltd.	51	313,926	50	20,104		
37	36	383,289	Canadian Industries Ltd.	52	301,467	60	15,952	73.3	Imperial Chemical Industries, London
38	37	376,241	Algoma Steel Corp.	27	552,680	34	28,556		
39	33	†372,706	Rothmans of Pall Mall Canada Ltd.	35	452,123	65	13,574	59.2	Rembrandt Controlling Invsts. Ltd., S. Africa
40	39	370,506	Ensile Ltd.	74	154,444	62	15,698	100	Ford Motor Co., Dearborn, Mich.
41	41	336,276	Westinghouse Canada Ltd.	68	181,435	85	6,349	75.4	Westinghouse Electric Corp., Pittsburgh
42	48	†335,692	Petrofina Canada Ltd.	41	405,557	43	24,166	71.8	Petrofina S.A., Belgium
43	40	326,637	Anglo-Canadian Telephone Co.	14	1,145,884	54	19,157	84.0	General Telephone & Electric Corp., N.Y.
44	64	314,920	Rio Algom Mines Ltd.	40	416,620	21	52,060	51.3	Rio-Tinto-Zinc Corp., London
45	44	†311,044	BP-Canada Ltd.	37	443,288	37	27,695	65.6	British Petroleum Co., England
46	43	306,361	Du Pont of Canada Ltd.	57	252,785	57	17,816	74.9	E.I. du Pont de Nemours & Co., Wilmington
47	47	297,246	Crown Zellerbach Canada Ltd.	56	263,754	35	28,118	89.8	Crown Zellerbach Corp., San Francisco
48	46	278,374	Dominion Bridge Co.	67	201,880	68	12,304		
49	45	276,327	Canada Cement Lafarge Ltd.	42	403,834	48	21,289	54.5	Ciments Lafarge S.A., Paris
50	59	266,127	Maple Leaf Mills Ltd.	78	139,213	78	7,859	73.7	Norris Grain Co., Chicago

51	63	265,374	Weirwood of Canada Ltd.	69	179,878	66	13,146	73.6	Champion International Corp., N.Y.
52	50	262,950	Northern & Central Gas Corp.	20	676,397	51	19,999		
53	49	257,310	Dominion Textile Ltd.	61	223,729	73	6,770		
54	56	253,628	Hawker Siddeley Canada Ltd.	60	225,874	86	6,204	59.2	Hawker Siddeley Group, England
55	77	253,603	British Columbia Forest Products Ltd.	49	316,761	39	25,465	47.8	U.S., Mead Corp., Scott Paper Co. (4)
56	57	1252,598	Husky Oil Ltd.	48	320,174	47	21,360	20.7	G. E. Nielson & Associates, U.S.
57	53	245,688	Union Carbide Canada Ltd.	59	229,665	61	15,707	75.0	Union Carbide Corp., New York
58	70	242,767	Canada Steamship Lines Ltd.	46	360,684	42	24,284		
59	54	239,788	Goodyear Tire & Rubber Co. of Canada	72	161,108	70	9,883	87.4	Goodyear Tire & Rubber Co., Akron, Ohio
60	62	235,700	Comstock International Ltd.		n.a.		n.a.		
61	55	234,640	Consumers' Gas Co.	24	617,715	40	25,164		
62	52	229,469	Price Co.	50	315,428	79	17,787	17.5	Daily Mail & General Trust, London
63	58	223,857	Canron Ltd.	76	146,018	83	6,545		
64	69	223,690	American Motors (Canada) Ltd.	99	34,157	92	3,927	100	American Motors Corp., Detroit
65	71	220,741	Celanese Canada Ltd.	63	214,823	76	8,224	56.7	Celanese Corp., New York
66	66	217,568	Reed Paper Ltd.	64	214,620	53	19,532	100	Reed Paper Group, London
67	6	212,947	Kraft Foods Ltd.	91	89,972	71	9,879	100	Kraftco Corp., Glenview, Ill.
68	61	212,758	General Foods Ltd.	86	116,248	69	10,329	100	General Foods Corp., White Plains, N.Y.
69	67	208,700	Neonex International Ltd.	90	93,500	93	3,400	9.7	U.S. residents
70	65	207,034	Continental Can Co. of Canada	79	136,257	64	14,441	100	Continental Can Co., New York
71	76	202,831	Interprovincial Pipe Line Ltd.	28	620,260	24	47,785	22.9	Exxon Corp., New York (5)
72	74	195,080	Dow Chemical of Canada Ltd.	62	4217,000		n.a.	100	Dow Chemical Corp., Midland, Mich.
73	84	192,604	Amoco Canada Petroleum Co.	30	511,391	22	51,384	100	Standard Oil Co. of Indiana, Chicago
74	75	189,911	Union Gas Ltd.	44	366,523	67	12,704		
75	73	189,494	Uniroyal Ltd.	82	114,162	87	5,988	100	Uniroyal Inc., New York

76	68	189,154	Silverwood Industries Ltd.	97	61,169	96	2,150		
77	83	186,918	Lever Brothers Ltd.	93	87,429	84	6,490	100	Unilever Ltd., London
78	80	1184,698	Standard Brands Ltd.	77	143,989	80	7,542	100	Standard Brands Inc., New York
79	78	183,453	Southam Press Ltd.	88	94,388	56	18,461	✓	
80	•	182,385	Hudson Bay Mining & Smelting Co.	54	278,852	26	44,585	34.7	Anglo American Group, S. Africa
81	96	177,191	J. M. Schneider Ltd.	98	43,212	94	2,708		
82	79	171,781	Firestone Tire & Rubber Co. of Canada	75	154,357	97	2,020	100	Firestone Tire & Rubber Co., Akron, Ohio
83	87	170,905	Jenpack Corp.	80	133,629	75	8,281		
84	72	169,915	RCA Ltd.	84	109,275	95	2,167	100	RCA Corp., New York
85	89	168,814	Westcoast Transmission Co.	25	614,217	44	24,001	14.8	Phillips Petroleum Co., Bartlesville, Okla. (6)
86	•	168,095	White Motor Corp. of Canada	96	70,803	91	4,013	100	White Motor Corp., Cleveland, Ohio
87	90	167,216	Canadian Corporate Management Ltd.	82	93,941	81	7,191		
88	•	164,507	Texaco Exploration Canada Ltd.	36	447,765	12	86,158	100	Texaco Inc., New York
89	88	1164,222	Pacific Petroleum Ltd.	79	528,371	33	30,188	48.4	Phillips Petroleum Co., Bartlesville, Okla.
90	98	161,673	Robin Hood Multifoods Ltd.	94	73,593	89	5,089	100	International Multifoods, Minneapolis
91	85	157,206	Thomson Newspapers Ltd.	65	212,349	38	25,966		
92	93	154,549	Rockwell International of Canada Ltd.	95	72,532	77	7,978	100	Rockwell Intl Corp., El Segundo, Calif.
93	91	1141,893	Sun Oil Co.	58	239,270	59	16,035	100	Sun Oil Co., Philadelphia
94	82	140,406	Canadian Johns-Manville Co.	66	206,847	58	16,495	100	Johns-Manville Corp., New York
95	92	138,330	Kodak Canada Ltd.	85	107,843	63	15,654	100	Eastman Kodak Co., Rochester, N.Y.
96	•	136,417	Hudson's Bay Oil & Gas Co.	43	401,394	29	39,370	53.1	Continental Oil Co., Stamford, Conn.
97	97	134,362	Budd Automotive Co. of Canada	92	87,813	74	8,448	81.5	The Budd Co., Troy, Mich.
98	•	133,916	Canadian Hydracarbons Ltd.	70	177,623	88	5,226	51.9	U.S. 17.7%, Europe 34.2% (7)
99	94	133,801	Canadian Cellulose Co.	83	113,207	82	7,078		
100	81	132,144	Bombardier Ltd.	73	155,462		(7,911)		

### THE TEN LARGEST MERCHANDISERS

Rank by sales		Sales \$'000	Company	Rank by assets	Assets \$'000	Rank by net income	Net income \$'000
1974	1973						
1	1	2,703,241	Loblaws Cps. <sup>a</sup>	3	577,891	a	(18,843)
2	2	1,320,732	Dominion Stores Ltd.	8	199,708	7	13,664
3	3	b1,220,162	Canada Safeway Ltd. <sup>b</sup>	7	300,531	3	23,216
4	4	1,073,467	Simpsons-Sears Ltd. <sup>c</sup>	1	775,598	1	30,275
5	5	1,002,304	Steinberg's Ltd.	5	338,292	5	16,729
6	9	810,957	M. Loeb Ltd.	10	124,842	9	c2,879
7	6	d804,334	Hudson's Bay Co. <sup>d</sup>	2	668,038	4	17,664
8	8	706,802	F. W. Woolworth Co. <sup>e</sup>	6	325,606	6	e14,806
9	7	697,583	Oshawa Group Ltd.	9	199,488	8	f7,590
10	10	436,044	Simpsons Ltd.	4	460,249	2	23,574

### THE TWENTY-FIVE LARGEST FINANCIAL INSTITUTIONS

Rank by assets		Assets \$000's	Company	Net income \$'000
1974	1973			
1	1	18,363,535	Royal Bank of Canada	57,694
2	2	16,101,466	Canadian Imperial Bank of Commerce	54,928
3	3	14,409,288	Bank of Montreal	56,943
4	4	10,327,629	Bank of Nova Scotia	35,779
5	5	9,422,493	Toronto Dominion Bank	35,718
6	6	4,286,945	Sun Life Assurance Co. of Canada	12,473
7	7	3,302,831	Banque Canadienne Nationale	14,177
8	9	2,661,785	Royal Trust Co.	1
9	8	2,588,369	Manufacturers Life Insurance Co.	1
10	11	2,089,587	Banque Provinciale du Canada	4,401
11	10	2,023,496	London Life Insurance Co.	1
12	12	1,933,707	Great-West Life Assurance Co.	13,567
13	13	1,923,347	Canada Permanent Mortgage Corp.	13,734
14	14	1,907,575	Huron & Erie Mortgage Corp.	12,902
15	16	1,726,415	IAC Ltd.	22,494
16	15	1,623,880	Canada Life Assurance Co.	1
17	17	1,378,637	Mutual Life Assurance Co. of Canada	1
18	18	1,181,922	Confederation Life Insurance Co.	1
19	19	994,974	Crown Life Insurance Co.	1
20	23	938,091	Traders Group Ltd.	12,168
21	21	933,188	Guaranty Trust Co. of Canada	3,515
22	24	895,338	General Motors Acceptance Canada	3,649
23	20	890,798	North American Life Assurance Co.	1
24	22	885,661	National Trust Co.	6,533
25	•	819,133	Victoria & Grey Trust Co.	6,902

APPENDIX B

QUESTIONNAIRE FORM - GENERAL

## APPENDIX B

## QUESTIONNAIRE FORM - GENERAL

The explanatory letter and questionnaire on the following pages (referred to as part A in the text) were mailed to the presidents of 129 of the companies on the lists in Appendix A. Two of the companies on the lists had been included in phase I of the study and were omitted in this phase. Executives of four other companies had been interviewed in pre-testing the questionnaire.

The letter and questionnaire were mailed out in mid-August, 1974; a follow-up letter requesting a reply was sent to those executives who had not responded by late September.



The University of Western Ontario, London, Canada

School of Business Administration

A major concern of many business managers today is the vast growth in government activities and the effect of this enlarging presence on the operations of their companies. A logical first step in improving the private sector's response to this growth is an assessment of what governments are doing and how their actions affect the business firm. My doctoral thesis for the School of Business Administration, University of Western Ontario, will investigate the methods used for and the extent of information-gathering about government activities by top managers and their firms. I hope that the findings of my study will contribute to a more effective interaction between business and government in Canada.

It would be greatly appreciated if you could contribute to this study by completing the attached questionnaire and returning it at your earliest convenience. All questionnaire responses will be treated as confidential; only aggregate data will be included in the completed thesis. If you wish, a summary of the major findings of the study will be sent to you when it is completed.

I recognize that your time and that of your executives is valuable. I hope that you will agree that the contribution my study will make merits a small amount of this time. I have attempted to minimize the time required and most of the questions can be completed quickly, often with only a check mark. The questionnaire should be completed by yourself or by another senior executive of your firm (vice-president or general manager or above).

Please feel free to call me if you have any questions about the study or, if necessary, to clarify any of the questionnaire items (I can be reached at either London 519 679-6057 or Guelph 519 824-4120, ext. 3592). Please return the questionnaire in the prepaid envelope enclosed. Thank you for your assistance.

Yours very truly

Robert W. Archibald



STUDY OF INFORMATION-GATHERING ON GOVERNMENT  
ACTIONS BY CANADIAN BUSINESS FIRMS

229

Robert W. Archibald  
School of Business Administration  
University of Western Ontario  
August 1974

This questionnaire will provide data for a study of business information-gathering processes, especially with respect to governmental actions, and of government effects on business.

- Notes:
1. Identity of company and respondent will not be disclosed; all data will be grouped. Respondent's name is requested so that we may contact you later if clarification is necessary.
  2. In some questions, we request estimation of a percentage or other value. We realize that it is not always possible to do this with great precision; please estimate as closely as possible.
  3. Please check the box at the right if you would like to receive a summary of the findings of the study when it is completed. ☐

Name of company: \_\_\_\_\_

Name and title of respondent: \_\_\_\_\_

Note: The first two questions, although short, are probably the most difficult to answer. I would appreciate your best attempt.

1. (a) Please estimate the approximate percentage of your total working time in the last six months which you spent in gathering information about the external environment of your firm (i.e., all relevant happenings outside the firm, but which affect it, as opposed to internal operations). \_\_\_\_\_ %

- (b) Of the time referred to in part (a) above (i.e., all time spent gathering information about external events), what percentage did you spend gathering information about government actions? \_\_\_\_\_ %

2. With respect to the information on government actions which you receive, what percentage do you receive as a result of:

Search related to a specific issue \_\_\_\_\_ %

General scanning activity \_\_\_\_\_ %

No activity on your part (i.e., unsolicited) \_\_\_\_\_ %

Total = 100 %

3. We would like to know what are YOUR major sources of information on government actions affecting your firm (this applies to your personal information sources, not to those used by a company information unit, if any). A list of likely sources is given below. For each of these sources please indicate:

- (1) the amount of information which it supplies
- (2) the importance of this information to you in making decisions

Please check one box in each of columns (1) and (2) for each source. If you have other sources not included in our list, please name them in the space for "other" and check the appropriate boxes in columns (1) and (2).

SOURCE OF INFORMATION	(1) AMOUNT OF INFORMATION					(2) IMPORTANCE OF INFORMATION				
	None	Small	Moderate	Large	Very Large	None	Minor	Moderate	Great	Very Great
<b>GENERAL PUBLICATIONS</b>										
Mass publications (newspapers, general magazines, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Specialized publications (business, technical, or scientific journals)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>BROADCAST MEDIA (Radio, TV)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>GOVERNMENT SOURCES</b>										
Published materials	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Personal contacts with:										
- government officials	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- elected representatives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>INDUSTRY SOURCES</b>										
Trade or Industry Associations or Groupings										
- published bulletins, reports, etc.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- personal contacts through association	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Personal Contacts with:										
- customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- suppliers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- competitors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- executives in other industries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>COMPANY SOURCES</b>										
Company information unit (if any)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports and meetings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subordinates	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Superiors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Consultants, legal advisors, etc. retained by your firm	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>OTHER SOURCES (please specify)</b>										
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional comments on sources, if any:

\_\_\_\_\_

\_\_\_\_\_

4. Approximately what percentage of the information on government actions which you receive from all of the above sources is relevant to:

Short-term routine operations and administration . . . . .	_____ %
Major factors affecting longer range company strategy . . . . .	_____ %
Of no particular value . . . . .	_____ %
Total =	100 %

5. (a) Do you find government officials and elected representatives accessible when you are seeking information?  
(check one box for each)

	Readily Accessible	Accessible With Some Effort	Not Readily Accessible
Government officials	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Elected representatives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- (b) If and when you obtain access to these groups, do you find them to be good sources of useful information?

	Good Source	Fair Source	Poor Source
Government officials	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Elected representatives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6. (a) How soon do you usually find out about government actions affecting your firm? (check one)

Well before action is taken . . . . .	<input type="checkbox"/>
Soon enough to develop an appropriate response . . . . .	<input type="checkbox"/>
Too late to do much . . . . .	<input type="checkbox"/>

- (b) How satisfactory do you consider your personal information system to be with respect to government actions affecting your firm? (check one)

Excellent . . . . .	<input type="checkbox"/>
Good . . . . .	<input type="checkbox"/>
Satisfactory . . . . .	<input type="checkbox"/>
Deficient . . . . .	<input type="checkbox"/>
Unsatisfactory . . . . .	<input type="checkbox"/>

6. (continued)

- (c) Do you plan any significant changes in your personal scanning procedures (i.e., information-gathering) with respect to government actions in the near future?

Yes ☐No ☐

If YES, please explain briefly (one or two sentences).

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- (d) In your opinion, how satisfactory is your firm's information system (as opposed to your personal system) with respect to government actions affecting the firm? (check one)

Excellent . . . . . ☐Good . . . . . ☐Satisfactory . . . . . ☐Deficient . . . . . ☐Unsatisfactory . . . . . ☐

7. Does your firm have a formally prepared strategy or long-range plan?

Yes ☐No ☐

If YES, please elaborate briefly (time span, frequency of review, etc.)

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8. (a) What single action (or set of actions) by a government during the past two years has most affected your firm's activities? Please explain briefly the effect, and how and when you found out about it.

Action: 

---

Effect on your firm: 

---

Your source(s) of information on the action: 

---

When did you find out about it? 

---

8. (continued)

(b) With respect to the action described in 8 (a), do you consider that:  
(check one)

All reasonably accessible information was available  
when required for decisions . . . . .

☐

More information was required and could have  
been obtained with a better information system . . . . .

☐

More information was required but was probably  
not possible to obtain . . . . .

☒

Other (explain) \_\_\_\_\_

☐

9. Relative to other industries, to what extent do you consider your  
industry to be affected by government actions?

Greatly affected . . . . . 4 . . . . .

☐

Considerably affected . . . . .

☐

Moderately affected . . . . .

☐

Mildly affected . . . . .

☐

~~Very~~ little affected . . . . .

☐

Can you explain why this is so? (briefly) \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Please list one or two industries which you consider, compared to your  
industry, that the government affects, in total, (i) more than your industry;  
(ii) less than your industry.

**More Affected**

**Less Affected**

(1) \_\_\_\_\_

(1) \_\_\_\_\_

(2) \_\_\_\_\_

(2) \_\_\_\_\_

10. (a) For each of the three levels of government, check the box which most closely indicates the extent to which it affects your firm:

	Minor Effect	Moderate Effect	Great Effect
Federal . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provincial . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Municipal . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- (b) To the best of your knowledge, has the extent of any of these effects changed significantly in the past ten years?

Yes ☐

No ☐

If YES, please indicate, as well as you can, the extent of these effects ten years ago (i.e., 1964).

	Minor Effect	Moderate Effect	Great Effect
Federal . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provincial . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Municipal . . . . .	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

11. Listed below are some of the major roles or functions of government. Acting in these roles, it can affect your firm in many ways. For each of these major roles, please check the box which most closely indicates its importance in affecting your firm.

ROLE OR FUNCTION OF GOVERNMENT	IMPORTANCE OF ROLE EFFECT TO YOUR FIRM				
	None	Minor	Moderate	Great	Very Great
TAXATION (all kinds)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
REGULATION					
Direct regulation of your firm	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Indirect regulation of your firm (e.g. through customers, suppliers, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SUPPORTIVE ROLE (e.g. incentive grants, subsidies)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
CUSTOMER (if government is a major buyer of your product or service)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SUPPLIER (if government supplies services essential to your operations — e.g. roads or canals for transportation companies)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
COMPETITOR (if government offers services similar to yours)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
INDIRECT EFFECTS e.g. government influence on the economy (general level of economic activity, inflation, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
OTHER (please specify)					
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\*Because of the wide variety possible in types of regulation, if government's regulatory role is important in its effects on your firm, please give one or two examples of regulations which affect your operations significantly:

\_\_\_\_\_

\_\_\_\_\_

12. Has your firm had any "surprises" from government in the past two years?  
(i.e., any actions by government affecting the firm which were not expected)

Yes ☐No ☐

- If YES, explain briefly the action, its effect, and any relevant circumstances which may have caused the "surprise" situation:

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13. What are the major problems, if any, which you encounter in obtaining information about government actions affecting your firm? Describe briefly.

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14. Does your firm have an individual or unit which has formal responsibility (full or part time) for scanning the external environment?  
(i.e., for gathering information about relevant happenings outside the firm)

Yes ☐No ☐

If YES, I would like to obtain further data on how this unit gathers information for the firm. May I send a responsible person in this unit a questionnaire (similar to the first few questions of this one) which focusses on the methods of gathering information for the firm in general, rather than on the scanning habits of a particular executive, as this questionnaire did? (The second questionnaire will also be treated as confidential, of course.)

Yes ☐No ☐

If YES, please fill in the name, title, and address (if different from your address) of this person below. The questionnaire will be sent to him upon return of this questionnaire.

Name: 

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Title: 

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Address: 

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15. Please make any further comments which you believe are relevant to either (i) your information-gathering activity, or (ii) government effects on your firm.

[illegible]

**THANK YOU FOR YOUR ASSISTANCE**

APPENDIX C

QUESTIONNAIRE FORM - FOR FIRMS WITH  
FORMAL SCANNING SYSTEM

## APPENDIX C

QUESTIONNAIRE FORM - FOR FIRMS WITH  
FORMAL SCANNING SYSTEM

This questionnaire (referred to as part B in the text) was sent to those firms in the sample which had an individual or unit with formal responsibility for scanning the firm's external environment, i.e., to those which had answered "yes" to question no. 14 in part A (see Appendix B).

# STUDY OF INFORMATION-GATHERING ON GOVERNMENT ACTIONS BY CANADIAN BUSINESS FIRMS

Robert W. Archibald  
School of Business Administration  
University of Western Ontario  
August 1974

This questionnaire will provide data for a study of business information-gathering processes, especially with respect to governmental actions, and of government effects on business.

- Notes:
1. Identity of company and respondent will not be disclosed; all data will be grouped. Respondent's name is requested so that we may contact you later if clarification is necessary.
  2. In some questions, we request estimation of a percentage or other value. We realize that it is not always possible to do this with great precision; please estimate as closely as possible.

Name of company: \_\_\_\_\_

Name and title of respondent: \_\_\_\_\_

1. Description of the firm's scanning (information-gathering) activities (this refers to the gathering of information about the external environment of your firm, i.e., all relevant happenings outside the firm, but which affect it, in contrast with internal operations):

- (a) Title of person in charge of this activity: \_\_\_\_\_

To whom does he report? \_\_\_\_\_

(If possible, a sketch of the organization structure of the firm showing the scanning activity and its position in the company would be helpful - please use the back of the page or, if preferred, a separate sheet.)

- (b) How many people are involved in gathering information about external happenings affecting your firm? (include part-time personnel)

\_\_\_\_\_ people.

What is the approximate TOTAL time spent in this activity?

\_\_\_\_\_ man-days per year

- (c) Of this total time (from 1b) spent in gathering information about external happenings, what percentage is spent in scanning government activities?

\_\_\_\_\_ %

**NOTE:** The following questions are concerned with the scanning of (gathering information about) government activities only.

2. We would like to know what are the major sources of information for your firm on government actions affecting the firm. A list of likely sources is given below. For each of these sources please indicate:

- (1) the amount of information which it supplies
- (2) the importance of this information to executives of the firm in making decisions

Please check one box in each of columns (1) and (2) for each source. If you use other sources not included in our list, please name them in the space for "other" and check the appropriate boxes in columns (1) and (2).

SOURCE OF INFORMATION	(1) AMOUNT OF INFORMATION					(2) IMPORTANCE OF INFORMATION				
	None	Small	Moderate	Large	Very Large	None	Minor	Moderate	Great	Very Great
<b>GENERAL PUBLICATIONS</b>										
Mass publications (newspapers, general magazines, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Specialized publications (business, technical, or scientific journals)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>BROADCAST MEDIA (Radio, TV)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>GOVERNMENT SOURCES</b>										
Published materials	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Personal contacts with:										
- government officials	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- elected representative	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>INDUSTRY SOURCES</b>										
Trade or Industry Associations or Groupings										
- published bulletins, reports, etc.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- personal contacts through association	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Personal Contacts with:										
- customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- suppliers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- competitors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- executives in other industries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>COMPANY SOURCES</b>										
Company information unit (if any)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports and meetings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subordinates	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Superiors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Consultants, legal advisors, etc. retained by your firm	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>OTHER SOURCES (please specify)</b>										
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional comments on sources, if any: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

3. Describe briefly the type of information which you gather about government activities. (Give examples of the information gathered in two or three major categories. We have not provided examples of these categories since we are interested in how you classify the information you receive).

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4. With respect to the information on government actions which you receive, what percentage comes to you as a result of:

Search related to a specific issue . . . . . %

General scanning activity . . . . . %

No activity on your part (i.e. unsolicited) . . . . . %

Total = 100 %

5. At what stage in the development of government action do you generally become aware of actions affecting or likely to affect your firm?  
(check one)

Preliminary discussions; proposals for action . . . . . ☐

Formalized discussion (committees, royal commissions, task forces, etc.) . . . . . ☐

Legislation: -- proposed . . . . . ☐

-- enacted . . . . . ☐

6. (a) Do you find government officials and elected representatives accessible when you are seeking information?

	Readily Accessible	Accessible With Some Effort	Not Readily Accessible
Government officials	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Elected representatives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6. (continued)

- (b) If and when you obtain access to these groups, do you find them to be good sources of useful information?

	Good Source	Fair Source	Poor Source
Government officials	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Elected representatives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7. (a) What are the major problems, if any, which you encounter in obtaining information about government actions affecting your firm? Describe briefly.

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- (b) Could these problems be minimized with a reasonable level of additional effort and/or cost?

Yes ☐

No ☐

If YES, how? (briefly)

---



---



---

- (c) Do you plan to make any significant changes in your methods of gathering information about government actions in the near future?

Yes ☐

No ☐

If YES, describe briefly.

---



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8. Please make any additional comments which you believe are relevant to your gathering of information about government actions affecting your company.

[illegible]

**THANK YOU FOR YOUR ASSISTANCE**



APPENDIX D

SUMMARY OF RESPONDENTS' INFORMATION SOURCES

TABLE D1  
INFORMATION SOURCES RATED BY AMOUNT AND IMPORTANCE  
EXECUTIVES IN FIRMS WITHOUT INFORMATION UNITS

SOURCE OF INFORMATION	AMOUNT OF INFORMATION (Percentage of responses for each source)				IMPORTANCE OF INFORMATION (Percentage of responses for each source)					
	None	Small	Moderate	Large	Very Large	None	Minor	Moderate	Great	Very Great
GENERAL PUBLICATIONS										
Mass publications (newspapers, general magazines, etc.)	-	22	38	35	5	-	21	47	29	3
Specialized publications (business, technical, or scientific journals)	3	51	57	29	-	-	14	58	28	-
BROADCAST MEDIA (Radio, TV)	5	73	19	3	-	6	68	24	3	-
GOVERNMENT SOURCES										
Published materials	3	20	24	35	8	3	13	49	22	13
Personal contacts with:										
- government officials	8	32	24	32	5	6	6	20	54	14
- elected representatives	18	53	18	12	-	21	26	26	21	6
INDUSTRY SOURCES										
Trade or Industry Associations or Groupings										
- published bulletins, reports, etc.	5	16	34	34	11	5	13	39	34	8
- personal contacts through association	8	26	24	34	8	11	14	30	41	5
Personal Contacts with:										
- customers	31	49	20	-	-	34	37	23	3	3
- suppliers	32	56	6	6	-	35	38	18	6	3
- competitors	25	33	33	8	-	22	25	31	19	3
- executives in other industries	9	36	42	12	-	9	25	40	22	3
COMPANY SOURCES										
Company information unit (if any)			N/A					N/A		
Reports and meetings	6	28	33	33	-	6	20	37	34	3
Subordinates	6	25	31	36	3	6	24	29	38	3
Superiors	11	30	37	19	3	11	11	30	41	7
Consultants, legal advisors, etc. retained by your firm	-	25	56	19	-	-	16	44	38	3

TABLE D2  
INFORMATION SOURCES RATED BY AMOUNT AND IMPORTANCE  
EXECUTIVES IN FIRMS WITH INFORMATION UNITS

SOURCE OF INFORMATION	AMOUNT OF INFORMATION (Percentage of responses for each source)				IMPORTANCE OF INFORMATION (Percentage of responses for each source)					
	None	Small	Moderate	Large	Very Large	None	Minor	Moderate	Great	Very Great
<b>GENERAL PUBLICATIONS</b>										
Mass publications (newspapers, general magazines, etc.)	-	7	56	33	4	-	15	67	19	-
Specialized publications (business, technical, or scientific journals)	-	30	46	23	-	-	30	50	19	-
<b>BROADCAST MEDIA (Radio, TV)</b>	4	53	34	08	-	4	46	46	4	-
<b>GOVERNMENT SOURCES</b>										
Published materials	-	15	65	15	4	-	19	46	27	8
Personal contacts with:										
- government officials	-	28	36	20	16	-	16	28	28	28
- elected representatives	16	40	28	12	4	24	24	24	20	8
<b>INDUSTRY SOURCES</b>										
Trade or Industry Associations or Groupings										
- published bulletins, reports, etc.	-	22	37	30	11	-	22	44	22	11
- personal contacts through association	8	19	23	42	8	8	12	30	35	15
Personal Contacts with:										
- customers	15	46	12	23	4	12	40	16	24	8
- suppliers	35	35	19	12	-	29	29	29	13	-
- competitors	8	27	38	23	4	8	27	42	23	-
- executives in other industries	4	35	35	23	4	4	31	46	19	-
<b>COMPANY SOURCES</b>										
Company information unit (if any)	4	22	30	39	4	4	17	26	43	9
Reports and meetings	-	22	48	22	7	-	19	37	33	11
Subordinates	-	8	42	46	4	-	8	38	42	12
Superiors	8	38	25	21	8	8	21	25	33	13
Consultants, legal advisors, etc. retained by your firm	4	36	44	12	4	8	24	36	28	4

TABLE D3  
 INFORMATION SOURCES RATED BY AMOUNT AND IMPORTANCE  
 PRESIDENTS AND OTHER CHIEF EXECUTIVES

SOURCE OF INFORMATION	AMOUNT OF INFORMATION (Percentage of responses for each source)					IMPORTANCE OF INFORMATION				
	None	Small	Medium	Large	Very Large	None	Minor	Medium	Great	Very Great
<b>GENERAL PUBLICATIONS</b>										
Mass publications (newspapers, general magazines, etc.)	-	19	42	35	4	-	15	59	22	4
Specialized publications (business, technical, or scientific journals)	-	33	46	21	-	-	24	56	20	-
<b>BROADCAST MEDIA (Radio, TV)</b>	8	60	28	4	-	9	57	26	9	-
<b>GOVERNMENT SOURCES</b>										
Published materials	4	27	31	35	4	4	26	30	30	11
Personal contacts with:										
- government officials	8	28	28	24	16	-	4	30	43	22
- elected representatives	8	46	29	13	4	13	22	39	17	9
<b>INDUSTRY SOURCES</b>										
Trade or Industry Associations or Groupings										
- published bulletin, reports, etc.	-	19	35	31	15	-	15	41	30	15
- personal contacts through association	4	20	12	56	8	8	8	28	44	12
Personal contacts with:										
- customers	16	54	21	4	4	19	38	27	12	4
- suppliers	22	61	9	9	-	22	39	26	9	4
- competitors	16	46	29	8	-	20	36	28	12	4
- executives in other industries	4	43	35	13	4	4	35	30	26	4
<b>COMPANY SOURCES</b>										
Company information unit (if any)	-	-	43	43	14	-	-	29	57	14
Reports and meetings	8	28	28	28	8	8	23	23	38	8
Subordinates	-	12	28	56	4	-	13	13	70	4
Superiors	24	35	24	18	-	24	24	12	29	12
Consultants, legal advisors, etc. retained by your firm	5	23	64	9	-	4	22	43	30	-

TABLE D4  
INFORMATION SOURCES RATED BY AMOUNT AND IMPORTANCE  
VICE - PRESIDENTS

SOURCE OF INFORMATION	AMOUNT OF INFORMATION (Percentage of responses for each source)				IMPORTANCE OF INFORMATION (Percentage of responses for each source)				
	None	Small	Medium	Large	None	Minor	Medium	Very Great	
<b>GENERAL PUBLICATIONS</b>									
Mass publications (newspapers, general magazines, etc.)	-	19	43	33	5	-	27	41	32
Specialized publications (business, technical, or scientific journals)	5	5	62	29	-	-	14	55	32
<b>BROADCAST MEDIA (Radio, TV)</b>									
-	-	81	10	10	-	-	71	29	-
<b>GOVERNMENT SOURCES</b>									
Published materials	-	15	60	20	5	-	5	55	30
Personal contact with:									
- government officials	5	25	20	40	10	5	10	19	43
- elected representatives	16	47	16	21	-	20	35	20	20
<b>INDUSTRY SOURCES</b>									
Trade or Industry Associations or Groupings:									
- published bulletins, reports, etc.	5	10	48	24	14	5	9	45	32
- personal contacts through association	9	18	18	41	14	9	5	27	45
Personal Contacts with:									
- customers	35	40	5	20	-	40	25	15	20
- suppliers	52	24	14	10	-	57	14	19	10
- competitors	20	25	45	10	-	20	20	30	30
- executives in other industries	5	30	40	25	-	5	25	45	25
<b>COMPANY SOURCES</b>									
Company information units (if any),	-	25	13	63	-	-	25	13	50
Reports and meetings	-	10	52	38	-	-	-	52	43
Subordinates	5	20	35	40	-	5	15	40	25
Superiors	-	30	30	35	5	-	10	35	40
Consultants, legal advisors, etc. retained by your firm	-	40	45	15	-	-	10	55	35

TABLE D5  
INFORMATION SOURCES RATED BY AMOUNT AND IMPORTANCE  
EXECUTIVES OTHER THAN PRESIDENTS AND VICE-PRESIDENTS

SOURCE OF INFORMATION	AMOUNT OF INFORMATION (Percentage of responses for each source)				IMPORTANCE OF INFORMATION (Percentage of responses for each source)					
	None	Small	Moderate	Large	Very Large	None	Minor	Moderate	Great	Very Great
GENERAL PUBLICATIONS										
Mass publications (newspapers, general magazines, etc.)	-	6	53	35	6	-	13	69	19	-
Specialized publications (business, technical, or scientific journals)	-	25	44	31	-	-	27	46	26	-
BROADCAST MEDIA (Radio, TV)	6	56	38	-	-	6	44	50	-	-
GOVERNMENT SOURCES										
Published materials	-	29	35	24	12	-	19	63	6	13
Personal contacts with:										
- Government officials	6	35	41	18	-	6	19	19	44	13
- elected representatives	31	50	19	-	-	38	19	13	25	6
INDUSTRY SOURCES										
Trade or Industry Associations or Groupings										
- Published bulletins, reports, etc.	6	29	24	41	-	6	31	38	25	-
- personal contacts through association	12	41	35	12	-	13	31	38	19	-
Personal Contacts with:										
- customers	24	47	24	6	-	20	47	20	-	13
- suppliers	24	59	12	6	-	14	64	14	7	-
- competitors	24	35	35	6	-	13	40	27	20	-
- executives in other industries	13	25	50	13	-	13	20	60	7	-
COMPANY SOURCES										
Company information units (if any)	12	38	38	12	-	13	25	38	25	-
Reports and meetings	-	41	35	18	6	-	31	44	19	6
Subordinates	6	24	47	18	6	6	25	50	19	-
Superiors	7	21	50	7	14	7	7	36	43	7
Consultants, legal advisors, etc. retained by your firm	-	27	40	27	7	7	29	14	36	14

TABLE D6  
INFORMATION SOURCES RATED BY AMOUNT AND IMPORTANCE  
FIRM INFORMATION UNITS

SOURCE OF INFORMATION	AMOUNT OF INFORMATION (Percentage of responses for each source)				IMPORTANCE OF INFORMATION (Percentage of responses for each source)					
	None	Small	Medium	Large	Very Large	None	Minor	Medium	Great	Very Great
GENERAL PUBLICATIONS										
Mass publications (newspapers, general magazines, etc.)	-	18	41	18	24	-	29	41	18	12
Specialized publications (business, technical, or scientific journals)	-	12	41	41	6	-	25	31	38	6
BROADCAST MEDIA (Radio, TV)	18	47	24	-	12	6	56	31	6	-
GOVERNMENT SOURCES										
Published materials	-	20	13	53	13	-	7	29	57	7
Personal contacts with:	-	31	25	38	6	-	12	44	19	25
- government officials	-	31	25	38	6	-	12	44	19	25
- elected representatives	20	67	-	7	7	20	40	33	-	7
INDUSTRY SOURCES										
Trade or Industry Associations or Groupings	-	18	29	24	29	-	12	29	24	35
- published bulletins, reports, etc.	-	12	41	24	24	-	6	29	41	24
- personal contacts through association	-	18	29	24	29	-	12	29	24	35
Personal Contacts with:	13	56	31	-	-	7	67	13	7	7
- customers	13	53	33	-	-	7	64	14	14	-
- suppliers	13	50	31	6	-	7	47	20	13	13
- competitors	6	41	47	-	6	6	35	41	6	12
- executives in other industries	-	41	47	-	6	-	35	41	6	12
COMPANY SOURCES										
Company information unit (if any)	-	41	29	24	6	-	31	38	12	19
Reports and magazines	-	27	47	27	-	-	36	29	29	7
Subsidiaries	-	27	40	27	7	-	20	27	20	33
Superiors	-	27	40	27	7	-	20	27	20	33
Consultants, legal advisors, etc.	6	44	19	19	12	6	25	31	25	12
recruited by your firm	6	44	19	19	12	6	25	31	25	12

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